

SECTION III – REPORTING
CHAPTER 1 – AUDIT CRITERION AND SUBMISSION

Accounting Principles

Accounting principles are guidelines or rules developed from experience or from research. Their purpose is to provide assurance that the information presented in the financial statements is valid, useful, and reliable. The auditor should make sufficient examination into the accounting principles used to permit a professional opinion as to whether the accounting system and the representations of management evidenced by financial reports are in conformity with such principles. Material changes and the reasons for them, if ascertainable, should be identified and their effect upon the financial reports, both historically and prospectively, should be explained. The auditor should also state his opinion as to the propriety of the change. Accounting principles on which the auditor's opinion is based should be identified in his report, as should statutory or administrative provisions adversely affecting the accounting principles in use by the organization, program or activity.

Legal or Regulatory Requirements

In any governmental audit in which the auditor is expected to give an opinion on the fairness of the presentations in financial reports, compliance with applicable laws and regulatory requirements is a matter of importance because noncompliance might result in liabilities not disclosed in the financial reports. Compliance with laws and regulatory requirements, in many instances, assumes an even greater importance since the recipients of the financial reports and the audit reports also want to know whether funds designated for certain purposes were spent for those purposes.

The standards for examination and evaluation require consideration of applicable laws and regulations in the auditor's examination. The standards for reporting require a statement in his report regarding any significant instances of noncompliance disclosed by his examination and evaluation work. What is to be included in this statement requires judgment. Significant instances of noncompliance, even those not resulting in legal liability to the audited entity, should be included.

Although the reporting standard is generally on an exception basis--that only noncompliance need be reported--it should be recognized that governmental entities often want positive statements regarding whether or not the auditor's tests disclosed instances of noncompliance. This is particularly true in grant programs where authorizing agencies frequently want assurance in the auditor's report that this matter has been considered. For such audits auditors should obtain an understanding with authorizing agencies as to the extent to which such positive comments on compliance are desired. When coordinated audits are involved, the audit program should specify the extent of comments that the auditor is to make regarding compliance.

When noncompliance is reported, the auditor should place his findings in proper perspective. The extent of instances of noncompliance should be related to the number of cases examined to provide the reader with a basis for judging the prevalence of noncompliance.

Peer Review

N.J.A.C. 6A:23-2.2(i) requires that districts engage only public school accountants who have had a peer review and obtain a copy of the audit firm's peer review. The board of education is required to review the peer review report prior to the engagement of a public school accountant for the annual audit, and to acknowledge its evaluation of the report in the minutes in which the board authorizes the engagement of the public school accountant to perform the annual audit. Generally, auditors will submit the peer review with the engagement letter for a repeat audit or if a new audit, with the proposal when responding to a board of education's request for proposal. The Department recommends that auditors review the board minutes to determine that the peer review report has been reviewed prior to the audit engagement.

“In accordance with NJOMB Circular Letter 98-07 including any amendments or revisions thereto [NJOMB 04-04], a district board of education or charter school board of trustees shall ensure that the public school accountant provides a copy of the most recent external peer/quality report to the Department, within 30 days after the initial engagement of a licensed public school accountant or firm and within 30 days after the issuance of a subsequent peer/quality report.”

It is the responsibility of the district to comply with the regulation of submitting the peer review report to the Department. Auditors are asked to inquire, early during field work, if the district has done this. A copy of the most recent peer review report must be provided to the Department as soon as possible after the engagement letter has been signed.

Government Auditing Standards (the 2003 Yellow Book) has revised peer review requirements. Any letter of comment and any subsequent peer review reports and letters of comment received during the period of the contract should be provided to the district which has contracted for the audit or attestation engagement. Auditors should refer to Sections 3.49- 3.56.

Audit Submission

The audit must be completed not later than 4 months after the end of the fiscal year (November 1). *N.J.S.A.* 18A:23-3 requires “...such accountant shall within 5 days thereafter file two duplicate copies thereof certified under his signature in the office of the commissioner.” (November 5) No provision is made for the issuance of extensions beyond the statutory due date. If a school district fails to have an annual audit completed by November 1 the Commissioner of Education can appoint a qualified auditor to conduct the audit of the school district. The cost of conducting such an audit would be paid out of the funds of the school district.

The following section provides information on the required documents to be submitted. A checklist (see page III-1.4) to organize the various documents should be completed and included as part of the required submission to the Department. This has been developed to assist audit firms in packaging the correct number of documents, and to minimize correspondence from the Department. The filing addresses and other pertinent information are outlined below. Failure to follow the filing instructions will result in notification to the districts by the Department.

Audit Reporting Package

- The Reporting Package for most districts consists of two separate required audit reports; the CAFR and the Auditor’s Management Report (AMR). Both reports must be signed by the appointed public school accountant performing the audit, not by the firm or corporation that employs the auditor, submitted to the district board of education.

Audit Summary diskette (Audsum)

- The Audit Summary Worksheet is generated by the software and must be signed by both the auditor and the district business administrator.
- The Audsum data is transmitted to the Department by the school business administrator.

Auditor Questionnaire (see Section III-6 of this Audit Program)

- The Auditor Questionnaire is not a required submission for non-Abbott districts. It must still be signed by the auditor, maintained in the auditor’s workpaper files, and available to the Department upon request.
- For Abbott districts, the Auditor Questionnaire should be included with the Audit Reporting Package sent to the Department of Education.
- The Audit Questionnaire should not be sent to the Department of Agriculture.

Additional reports submitted to the Department

- Peer Review report
- Data Collection Form (if applicable; see Single Audit section III-1.6)

MAILING ADDRESS * (Note that the US Post Box should be used for mailing. The street address is for other forms of delivery.)	AUDIT DOCUMENTS	TIME AFTER AUDIT TO SUBMIT/ # COPIES
Federal Audit Clearinghouse Bureau of the Census 1201 East Tenth Street Jeffersonville, IN 47132	Federal Reporting Package** Data Collection Form (Only required for districts expending \$500,000 or more in federal awards)	Within 30 days One copy of each
**see Single Audit Report Submission Requirements on page III-1.6		
Commissioner of Education Department of Education Office of Compliance/Single Audit •1001 Spruce Street •Ewing, NJ 08638-3957 PO Box 500 Trenton NJ 08625-0500	See CHECKLIST on next page Telephone 609-292-5791	Within five days
NJ Department of Agriculture Bureau of Child Nutrition Programs * 33 W. State St. – 4 th floor P.O. Box 334 Trenton, NJ 08625	Audit Reporting Package – CAFR, AMR, & CAP	Within five days; One copy
County Superintendent of Schools	Audit Reporting Package – CAFR, AMR, & CAP	Within five days - one copy

STATE OF NEW JERSEY
DEPARTMENT OF NEW JERSEY
CAFR INFORMATION SCHEDULE/ CHECKLIST

1. Name of District _____

2. County _____

3. Tax ID Number _____

4. Accounting Firm _____

5. Contact at CPA Firm

Name _____

Phone (optional) _____

Email (optional) _____

Audit Submission to the NJ Department of Education

Non-Abbott	Enclosed	Abbott	Enclosed
2 Copies of CAFR		4 Copies of CAFR	
2 Copies of AMR		4 Copies of AMR	
1 Copy of Peer Review		1 Copy of Peer Review	
1 Copy of Data Collection Form		1 Copy of Data Collection Form	
		3 Copies of Audit Questionnaire	

Single Audit Report Submission Requirements

Federal Single Audit Requirements

For districts subject to the Single Audit Act pursuant to USOMB Circular A-133, the report submission requirements are as follows:

- The Data Collection Form (SF-SAC) and the Federal Single Audit Reporting Package described below must be submitted to the Federal Clearinghouse within 30 days after receipt of the auditor's report(s).
- Based on the statutory deadline for filing the annual audit report for New Jersey School Districts, no submission to the Federal Clearinghouse should occur later than November 30th.
- The submission of anything other than a complete Data Collection Form and Reporting Package will be returned to the auditee.
- The Data Collection Form is to be submitted to the Clearinghouse as a separate document, not as part of the Reporting Package and must be signed by both the district and the auditor.
- The Data Collection Form and one copy of the Reporting Package should be submitted to the Clearinghouse for the Federal Clearinghouse archival copy.
- The auditee must also submit to the Clearinghouse one copy of the Reporting Package for each Federal awarding agency when the schedule of findings and questioned costs and/or the summary schedule of prior audit findings disclosed audit findings or reported on the status of prior audit findings relating to **Federal awards that the Federal awarding agency provided directly**.

Data Collection Form

The Data Collection Form provides information on the type of audit, the auditee, the auditee's Federal programs, and the results of the audit. The Data Collection Form must indicate the federal awarding agency(ies) that should receive the additional report(s). The Clearinghouse will distribute the additional copies to the appropriate federal awarding agencies using the information reported on the form.

A revised Data Collection Form has been released in May 2004 and is to be used for audit periods ending in 2004, 2005, and 2006. The new form uses the Data Universal Numbering System (DUNS) number. Also, the auditor can select an unqualified opinion or any combination of qualified opinion, adverse opinion and disclaimer of opinion. The type of opinion for each major program must be provided. Auditors should refer to the instructions for completing the form for further guidance. The form and the instructions are available at the Federal Audit Clearinghouse web site <http://harvester.census.gov/sac/> or from the Federal Audit Clearinghouse at 1-800-253-0696. The Clearinghouse has also developed a process for electronic submission of the Data Collection Form. Auditors should reference the Clearinghouse home page for further information.

Federal Reporting Package

The Reporting Package must include the following (OMB-133, ¶ __.320)

- Financial statements (discussed in OMB-133, ¶ __.310(a))
- Schedule of Expenditures of Federal Awards (¶ __.310(b))
- Summary schedule of prior audit findings (¶ __.315(b))
- Auditor's reports (¶ __.505)
- Corrective action plan (¶ __.315(c))

Corrective action plan

The corrective action plan filed with the Federal Clearinghouse (A-133 corrective action plan) addresses each audit finding included in the current year auditor's reports in the Single Audit Section of the CAFR. In accordance with OMB Circular A-133 section .320(c), the corrective action plan is a

required component of the Reporting Package. See OMB Circular A-133 section .315(c) for guidance on preparing the A-133 corrective action plan. District staff should prepare the A-133 corrective action plan in a timely manner so as to meet the filing deadline for submission to the county superintendent (see State Submissions below).

Submission of Federal Reports to State Departments

In addition to the required submissions to the Federal Clearinghouse, the auditee must also submit one copy of the Reporting Package to each pass-through entity (including the NJ Department of Agriculture) when the schedule of findings and questioned costs and/or the summary schedule of prior audit findings disclosed audit findings or reported on the status of prior audit findings relating to Federal awards that the pass-through entity provided.

If the schedule of findings and questioned costs and/or the summary schedule of prior audit findings disclosed no audit findings or did not report on the status of prior audit findings relating to Federal awards that the pass-through entity provided, the auditee shall provide written notification to the pass-through entity in accordance with Section .320(e)(2).

State Single Audit Requirements

Districts may be subject to NJ state single audit requirements as established by NJOMB Treasury Circular Letter 04-04 which states that "in addition to federally required reports and opinions, recipient single audits must contain similar reports and opinions for State grant or State aid funds".

State Single Audit Reporting Package

Federally required reports and opinions

Financial statements

Schedule of Expenditures of State Financial Assistance

Corrective Action Plan (if different from federal CAP)

Corrective Action Plan – State requirements

The corrective action plan filed with the county superintendent addresses each finding included in the Auditor's Management Report and must be filed within 30 days following the board meeting at which the audit was discussed. Refer to Section III, Chapter 7 for guidance on the corrective action plan to be filed with the county superintendent. This corrective action plan may differ from the federal corrective action plan if there are findings which the auditor deems to be immaterial for federal reporting, but which must be included for state purposes.

Reporting Errors

Auditor's Management Report (AMR)

N.J.S.A. 18A:23-9 states that the auditor "...report any error, omission, irregularity, violation of law, together with recommendations, to the board of education of each school district." This statute applies to the Auditor's Management Report filed with the Department of Education. All findings must be included in that report of audit. This includes all items contained in a separate schedule of findings and questioned costs included in the single audit section of the district's CAFR.

- **Immaterial Errors and Omissions**
Sometimes an auditor will detect an error which requires disclosure pursuant to *N.J.S.A.* 18A:23-9. However, the auditor may not believe a recommendation is needed because the error was insignificant and an isolated unintentional deviation from the Board's standard operating procedure. In such instances the auditor must report the item as a finding, state in the comments that in his or her opinion no recommendation is necessary, and elaborate on the reason(s) for this opinion. Any negative comment without a corresponding recommendation will be cited during the Quality Assessment Review unless accompanied by such an explanation. The reviewer will consider the explanation and the nature of the disclosure for adequacy. Auditors should exercise caution when determining which findings require disclosure and recommendations.
- **Other Recommendations to the Board of Education**
Auditor recommendations which are not required comments or related to a finding of noncompliance or questioned cost but rather represent suggestions to management should be grouped together and included at the end of the Auditor's Management Report in a section titled "Suggestions to Management." Management suggestions are not required to be included in the district's Corrective Action Plan.

Schedule of Findings and Questioned Costs (Single Audit - Federal and State)

In accordance with the Single Audit Act, USOMB Circular A-133, and NJOMB Circular Letter 04-04, questioned costs and findings of noncompliance with applicable federal and state laws and regulations pertaining to federal and state financial assistance programs must be reported in the *Schedule of Findings and Questioned Costs* in the single audit section of the district's CAFR if they meet the criteria for reporting audit findings as detailed in Circular A-133 (Section .510). See Section II-SA of the Audit Program for sample format of the schedule. As noted above, all items reported in the single audit section must be repeated in the Auditor's Management Report.

SECTION III – REPORTING
CHAPTER 2 – SAMPLE OPINION REPORTS

Directives for Auditor’s Reports

The Single Audit Act Amendments of 1996 (the Act) replaced the Single Audit Act of 1984 which established uniform requirements for audits of Federal awards administered by non-Federal entities. The federal Office of Management and Budget (USOMB) issued the publication Audits of States, Local Governments, and Non-Profit Organizations (OMB A-133) to implement the Single Audit Act Amendments. Effective for fiscal years ending after December 31, 2003, OMB A-133 was revised to raise the audit threshold for all recipients, including state and local governments to \$500,000.

The State of New Jersey Office of Management and Budget (NJOMB) Circular Letter 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, revised state policy regarding audits of grant recipients to require those recipients that expend \$500,000 or more in federal financial assistance or State financial assistance within their fiscal year to have annual single audits in accordance with the Act, Amendments, OMB A-133 Revised, and State policy. NJOMB Circular Letter 04-04 supersedes Circular Letter 98-07-OMB. Recipient single audits must contain reports and opinions for State funds similar to those required for federal single audits. A recipient is any local government (including school board) that receives from a State agency any federal grant, State grant or State aid funds to carry out or administer a program.

In 2003, the AICPA converted the Statement of Position (SOP) 98-3, Audits of States, Local Governments, and Not-for-Profit Organizations Receiving Federal Awards (Guide for Federal Awards) into an AICPA Audit Guide of the same title. The Guide for Organizations Receiving Federal Awards provides guidance on the auditor's responsibilities when conducting a single audit or program specific audit in accordance with the Single Audit Act Amendments and OMB A-133. The Guide for Federal Awards is applicable to audits of the 2003-04 fiscal year. The May 2003 AICPA Audit and Accounting Guide Audits of State and Local Governments - GASB 34 Edition includes illustrative audit reports on basic financial statements, applicable for GASB 34 model financial statements. Auditors should refer also to the Guide for Federal Awards for illustrations of reports to be issued based on the circumstances of the audit. Auditors may also reference the Government Auditing Standards (the 2003 Yellow Book) by the U.S. General Accounting Office for additional guidance and available at www.gao.gov.

Component Units

Government Accounting Standards Board Statement (GASB) 14 as amended by GASB 39 requires that separately issued financial statements of a component unit indicate that the entity is a component unit of another government. The notes to the component unit’s financial statements should disclose the identity of the primary government of the financial reporting entity and describe the relationship with the primary government. For the auditor’s report, the AICPA’s publication Audits of State and Local Governmental Units, GASB 34 Edition issued May 2003 (Paragraph 14.43) refers to the language used in the introductory paragraph of the illustrative auditor’s report in appendix A, Example 14A.2. - “We have audited the accompanying basic financial statements of Sample County School District, a component unit of Sample County, as of and for the year ended June 30, 20X1, as listed in the table of contents...”. District staff and auditors should refer to the memorandum issued by the department on December 17, 2001 for further information on component units.

Auditor Reports

The reports required in connection with an audit performed under the Single Audit Act of 1984, P.L. 98-502 as amended by the Single Audit Act Amendments of 1996, P.L. 104-156 and required by NJOMB Circular Letter 04-04 are listed below. The references are to the AICPA Auditing and Accounting Guides-Audits of States, Local Governments, and Not-for Profit Organizations Receiving Federal Awards [AICPA Federal Guide] or Audits of State and Local Governmental Units, GASB 34 Edition [AICPA State & Local Guide].

Reference

Independent Auditor's Reports

Unqualified Opinions on Basic Financial Statements Accompanied by Required Supplementary Information and Supplementary Information and Supplementary Schedule of Expenditures of Federal Awards – Governmental Entity (GASB 34 Version)

AICPA State & Local Guide, Example 1 & AICPA Federal Guide Example 1

Single Audit Reports

Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards (No Reportable Instances of Noncompliance and No Material Weaknesses [No Reportable Conditions Identified])*

AICPA Federal Guide Example 2

Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133 and NJOMB Circular Letter 04-04 (*Unqualified Opinion on Compliance and No Material Weaknesses [No Reportable Conditions Identified])*

AICPA Federal Guide Example 3

Schedule of Findings and Questioned Costs

AICPA Federal Guide Appendix E

Any recommendations referenced in the above opinions must be repeated in the "Recommendations" section of the Auditor's Management Report for the Board's consideration of all recommendations pursuant to *N.J.S.A.* 18A:23-3, 4 and 5.

The sample audit reports included in this chapter are based on the assumption that no qualifications of opinion are required. The reports include language as to reportable instances of non-compliance and separate communications to management of immaterial instances of non-compliance and certain matters involving internal control audit findings that should be deleted from the reports if no such findings apply. Auditors should reference the AICPA Audit Guides Audits of States, Local Governments, and Not-for-Profit Organizations Receiving Federal Awards for the appropriate language to be included if reportable conditions or material weaknesses are identified.

The applicable Single Audit reports required under the circumstances of the audit are to be included in the single audit section of the CAFR along with the Schedules of Expenditures of Federal Awards and State Financial Assistance, Notes to the Schedules of Expenditures of Awards, Schedule of Findings and Questioned Costs, and Summary Schedule of Prior Audit Findings.

SAMPLE ONLY

[AICPA State and Local Guide, Example 1 & AICPA Federal Guide, Example 1]

**UNQUALIFIED OPINIONS ON BASIC FINANCIAL
STATEMENTS ACCOMPANIED BY REQUIRED SUPPLEMENTARY
INFORMATION AND SUPPLEMENTARY SCHEDULE OF FEDERAL AWARDS AND OTHER
SUPPLEMENTARY INFORMATION**

Independent Auditor's Report

The Honorable President and
Members of the Board of Education
_____ School District
County of _____
_____, New Jersey

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Board of Education of the _____ School District, in the County of _____, State of New Jersey, as of and for the fiscal year ended June 30, 20__, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the _____ Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and each major fund, of the _____ Board of Education, in the County of _____, State of New Jersey, as of June 30, 20__, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated _____, 20__ on our consideration of the _____ Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management Discussion and Analysis and Budgetary Comparison Information on pages [XX] through [XX] and [XX] through [XX] are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of

management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the _____ Board of Education's basic financial statements. The accompanying introductory section, and other supplementary information such as the combining and individual fund financial statements, long-term debt schedules and statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and long-term debt schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

The accompanying schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid* respectively, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Licensed Public School Accountant
No. _____
Firm Name

Date _____

SAMPLE ONLY
[AICPA Federal Guide, Example 2]

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*
(No reportable instances of noncompliance and no material
weaknesses [no reportable conditions identified])**

The Honorable President and
Members of the Board of Education
_____, School District
County of _____
_____, New Jersey

We have audited the financial statements of the Board of Education of the _____ School District, in the County of _____, State of New Jersey, as of and for the fiscal year ended June 30, 20__, and have issued our report thereon dated _____, 20__. **[Describe any departure from the standard report].** We conducted our audit in accordance with auditing standards generally accepted in the United States of America; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

Compliance

As part of obtaining reasonable assurance about whether the _____ Board of Education's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey. (However, we noted certain immaterial instances of noncompliance that we have reported to the Board of Education of the _____ School District in the separate Auditor's Management Report on Administrative Findings - Financial, Compliance and Performance dated _____, 20__.)

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the _____ Board of Education's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. (However, we noted certain matters involving internal control that we have reported to the Board of Education of the _____ School District in a separate Auditors Management Report on Administrative Findings - Financial, Compliance and Performance dated _____, 20__.)

Date Issued 7/04

This report is intended solely for the information and use of the audit committee, management, the _____ Board of Education, the New Jersey State Department of Education and other state and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Licensed Public School Accountant

No. _____

Firm Name _____

Date _____

SAMPLE ONLY
(AICPA Federal Guide, Example 3)

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133 AND
NEW JERSEY OMB CIRCULAR 04-04**

**(Unqualified opinion on compliance and no material
weaknesses [no reportable conditions identified])**

The Honorable President and
Members of the Board of Education
_____, School District
County of _____
_____, New Jersey

Compliance

We have audited the compliance of the Board of Education of the _____ School District, in the County of _____, State of New Jersey, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* and the *New Jersey State Aid/Grant Compliance Supplement* that are applicable to each of its major federal and state programs for the fiscal year ended June 30, 20____. _____ Board of Education's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of the _____ Board of Education's management. Our responsibility is to express an opinion on the _____ Board of Education's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey; OMB Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations*; and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, OMB Circular A-133 and New Jersey OMB's Circular 04-04, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the _____ Board of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of _____ Board of Education's compliance with those requirements.

In our opinion, the Board of Education of the _____ School District, in the County of _____, State of New Jersey, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal and state programs for the fiscal year ended June 30, 20____. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and New Jersey OMB's Circular 04-04, and which are described in the accompanying schedule of findings and questioned costs as items [List the reference numbers of the related finding ,e.g., 20X1-1, 20X1-2, etc. -Omit the last sentence if no such instances of noncompliance are identified in the schedule of findings and questioned costs].

Internal Control Over Compliance

The management of the Board of Education of the _____ School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered _____ Board of Education's internal control over compliance with requirements that could have a direct and material effect on a major federal or state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133 and New Jersey OMB's Circular 04-04.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of law, regulations, contracts and grants that would be material in relation to a major federal or state program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the audit committee, management, the _____ Board of Education, the New Jersey State Department of Education, and other federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Licensed Public School Accountant
No. _____
Firm Name _____

Date _____

**NOTE TO PREPARER: WHEN A FEDERAL SINGLE AUDIT IS NOT REQUIRED -- DO NOT
REFERENCE FEDERAL PROGRAMS. WHEN A STATE SINGLE AUDIT IS NOT REQUIRED
-- DO NOT REFERENCE NJOMB CIRCULAR LETTER 04-04 AND STATE PROGRAMS.**

SECTION III – REPORTING
CHAPTER 3 – NOTE DISCLOSURES

Disclosure

A governmental entity's reports and statements, both financial and operational, ideally should contain the information necessary for users--management, the electorate, creditors, grantors, and others--to form an opinion on the effectiveness of the stewardship exercised by the responsible public officials. The responsibility for providing such information is that of management. However, the auditor should comment if the data provided is insufficient to disclose any matters that may have a material effect upon the financial reports.

Adequate disclosure is that which is required by generally accepted auditing standards as promulgated by the American Institute of Certified Public Accountants (AICPA), as well as adherence to the accounting standards promulgated by the Governmental Accounting Standards Board (GASB). Disclosure should be fair, manageable and reasonably complete; not complex or difficult to understand.

Weight should be given to materiality, which is the relative importance or relevance of an item included in or omitted from a financial or operating report. There are no universal ratios or percentages that can be used as standards of materiality for financial or operational processes or transactions. Materiality should be based on judgment. Auditors should reference the AICPA Audit and Accounting Guides, Audits of State and Local Governmental Units and Audits of States, Local Governments, and Not-for Profit Organizations Receiving Federal Awards for guidance on materiality. The AICPA issued a revised Audit and Accounting Guide (GASB 34 Edition) in May 2003 which should be referenced for updated guidance on materiality in relation to audits of GASB 34 statements. This Guide specifies that auditor reporting on governmental financial statements should be based on opinion units.

The following notes for the schedules of expenditures of awards and financial assistance are required by OMB Circular A-133, Sec. 310. The sample financial statement disclosures presented in this chapter supplement the sample notes reflected in the Sample CAFR on the NJSCPA web site. The sample disclosures presented in this section are not intended to be a boilerplate and should be included **only** if they apply to that district's CAFR. Additional information and samples of the same disclosures can be found in the GFOA Governmental Accounting, Auditing and Financial Reporting (the "Blue Book"), GASB Codification of Governmental Accounting and Financial Reporting Standards, ASBO International Self-Evaluation Worksheet, etc. Included at the end of each sample note is the source of reference (i.e. GASB Codification Section etc.).

Information on additional disclosures for capital assets and long-term debt is available on the DOE Finance/GASB 34 web site <http://www.state.nj.us/njded/finance/fp/gasb34/>. District staff and auditors should reference GASB 38, *Certain Financial Statement Note Disclosures* for further guidance on financial statement disclosures. The following excerpt from GASB 34, paragraph 144 is to be followed by districts in the first year of implementing GASB 34:

“Adjustments to governmental, proprietary, and fiduciary funds resulting from a change to comply with this Statement should be treated as adjustments of prior periods, and financial statements presented for the periods affected should be restated. If restatement of the financial statements for prior periods is not practical, the cumulative effect of applying this Statement should be reported as a restatement of beginning fund balance or fund net assets, as appropriate, for the earliest period restated (generally, the current period). In the first period that this statement is applied, the financial statements should disclose the nature of the restatement and its effect.” (GASB 34, ¶ 144)

**SAMPLE NOTES TO THE SCHEDULES OF EXPENDITURES OF AWARDS
AND FINANCIAL ASSISTANCE**

Anytown School District

Notes to Schedules of Expenditures of Awards and Financial Assistance

June 30, 200X

NOTE 1. GENERAL

The accompanying schedules of expenditures of federal awards and state financial assistance include federal and state award activity of the Board of Education, Anytown School District. The Board of Education is defined in Note 1 to the Board's basic financial statements. All federal and state awards received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedule of expenditures of federal awards and state financial assistance.

NOTE 2. BASIS OF ACCOUNTING

The accompanying schedules of expenditures of awards and financial assistance are presented on the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the Board's basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

The basic financial statements present the general fund and special revenue fund on a GAAP basis. Budgetary comparison statements or schedules (RSI) are presented for the general fund and special revenue fund to demonstrate finance-related legal compliance in which certain revenue is permitted by law or grant agreement to be recognized in the audit year, whereas for GAAP reporting, revenue is not recognized until the subsequent year or when expenditures have been made.

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the last state aid payment in the current budget year, which is mandated pursuant to *N.J.S.A. 18A:22-44.2*. For GAAP purposes that payment is not recognized until the subsequent budget year due to the state deferral and recording of the last state aid payment in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The special revenue fund also recognizes the last state aid payment in the current budget year, consistent with *N.J.S.A. 18A:22-4.2*

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$_____ for the general fund and \$_____ for the special revenue fund. See *Note 1* [the Notes to Required Supplementary Information] for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as presented on the following page:

**SAMPLE NOTES FOR SCHEDULES OF EXPENDITURES OF AWARDS
AND FINANCIAL ASSISTANCE (CONT'D)**

Anytown School District

Notes to Schedules of Expenditures of Awards and Financial Assistance (Cont'd)

June 30, 200X

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (CONT'D)

	<i>Federal</i>	<i>State</i>	<i>Total</i>
General Fund	\$	\$	\$
Special Revenue Fund			
Debt Service Fund			
Food Service Fund	_____	_____	_____
Total Awards & Financial Assistance	\$ <u> </u>	\$ <u> </u>	\$ <u> </u>

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports.

NOTE 5. FEDERAL AND STATE LOANS OUTSTANDING

Anytown School District had the following loan balances outstanding at June 30, 200X:

<u>Loan Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Outstanding</u>
Federal EPA	N/A	\$XXX,XXX

NOTE 6. OTHER

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the District for the year ended June 30, 200X. TPAF Social Security Contributions represents the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 200X.

FINANCIAL STATEMENT DISCLOSURES – OVERVIEW AND SAMPLE NOTES

Please note that the sample notes included in this section are not intended to be all inclusive and auditors. Prior to the issuance of GASB 34, NJSCPA issued a sample CAFR with related disclosures at <http://www.njscpa.org/business/cafr-9.doc>. If referenced, auditors and district staff need to update the note disclosures for GASB 34 reporting. Auditors and district staff should also refer to GASB Codification Section 2300 and the AICPA Checklists and Illustrative Financial Statements for State and Local Governmental Units for further guidance on disclosures.

Categories of disclosures affected by GASB 34 and GASB 38 are indicated below with the paragraph of the Statement noted. Illustrative disclosures are reflected in both GASB Statements. In addition, GASB 38, Appendix B, par. 68 includes a list of disclosure requirements not changed. Samples for the capital assets and long-term liabilities may be found on the NJDOE web site <http://www.nj.gov/njded/finance/fp/gasb34/>.

Summary of Significant Accounting Policies – GASB 34, par.115; GASB 38, 6-8

Violations of Finance- related Legal or Contractual Provisions – GASB 38, par.9

Capital Assets – GASB 34, par.116-118

Long-term Liabilities – GASB 34, par.116, 119

Debt and Lease Obligations –GASB 38, par. 10-11

Short-term Debt – GASB 38, par. 12

Disaggregation of Receivable and Payable Balances – GASB 38, par.13

Interfund Balances and Transfers – GASB 38, par. 14

Disclosures Effected by the State’s Delay of the Last State Aid Payment

The SAMPLE NOTES section of this chapter has been updated to include disclosure examples relating to the recording of the delayed state aid payment. Alternative presentation formats are also acceptable. (See also NCGAI 10, *State and Local Government Budgetary Reporting* and GASB 34 and GASB 38, NCGAI 6 *Notes to the Financial Statements Disclosure*, Appendix, as amended, and GASB Codification 2300.106, 107 and 901).

The following three disclosures effected by the revenue recognition policy of the delayed last state aid payment for budgetary purposes are discussed below:

- Disclosure of the district’s policy for revenue recognition.
- Reconciliation of the revenue for budgetary comparison statements/schedules to the GAAP statements.
- Disclosure of a deficit fund balance.

Disclosure of the District's Policy for Revenue Recognition

The Department recommends that the district's policy for revenue recognition of the last state aid payment for budgetary purposes be disclosed in the Budgets/Budgetary Control section of Note 1 - Summary of Significant Accounting Policies. The revision to the 2nd paragraph of the sample Note on Budgets/Budgetary Control is in boldface type.

Reconciliation of Revenue for Budgetary Comparisons to GAAP Statements

GASB 34 requires a reconciliation of inflows and outflows from the Budgetary Comparison schedules to the GAAP basis funds statements. The reconciliation of the revenue difference due to the last state aid payment should be included in the general fund and the special revenue fund columns and is presented in the Notes to Required Supplementary Information.

Disclosure of Deficit Fund Balance

The Note on Deficit Fund Balance, if applicable, will need to be modified to disclose if the deficit in the GAAP statement fund balances occurred as a result of the adjustment for the last state aid payment. Under GAAP, in accordance with GASB 33, *Accounting and Financial Reporting for Nonexchange Transactions*, the last state aid payment is not considered revenue to the school district if the state has not recorded the corresponding expenditure, even though state law dictates recording the revenue. The sample note included on the last page of this chapter of the Audit Program has been modified to reflect this.

SAMPLE BASIC FINANCIAL STATEMENT NOTES

NOTE 1, SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

D. BUDGETS/BUDGETARY CONTROL

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles with the exception of the legally mandated revenue recognition of the last state aid payment for budgetary purposes only and the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

GASB 34 Model Illustration of Reconciliation**Notes to Required Supplementary Information
Budgetary Comparison Schedule**

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

	General Fund	Special Revenue Fund
Sources/inflows of resources		
Actual amounts (budgetary) “revenues” from the budgetary comparison schedules	\$23,101,430	\$ 7,983, 526
Difference – budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		(21,204)
State aid payment recognized for GAAP statements in the current year, previously recognized for budgetary purposes.	553,478	347,560
State aid payment recognized for budgetary purposes, not recognized for GAAP statements until the subsequent year.	<u>(551,385)</u>	<u>(243,142)</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances – governmental funds.	<u>\$ 23,654,908</u>	<u>\$ 8,309,882</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) “total outflows” from the budgetary comparison schedule	\$ 24,209,664	\$ 7,983,526
Differences – budget to GAAP:		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		(21,206)
Transfers to and from other funds are presented as outflows of budgetary resources but are not expenditures for financial reporting purposes.		
Net transfers (outflows) to general fund.	<u></u>	<u>(2,668,125)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds.	<u>\$ 24,209,664</u>	<u>\$ 5,294,197</u>

Auditor's Note – The following POST-RETIREMENT BENEFITS information is Statewide data and should be utilized in the 2003-04 district CAFR. The data in this note is obtained from the NJ CAFR, June 30, 2003.

NOTE X. POST-RETIREMENT BENEFITS

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. As of June 30, 2003, there were 61,549 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994 with an additional contribution beginning in Fiscal Year 1996 to maintain a medical reserve of one half of one percent of the active State payroll.

The State did not make a contribution to the PERS and TPAF in Fiscal Year 2003 toward the cost of post-retirement medical benefits in accordance with P.L. 2002, c.11 which allowed the State to use available reserves in the Post-Retirement Medical Reserve Funds to cover required pay-as-you-go medical premiums. This legislation also suspends in Fiscal Years 2002 and 2003 the additional post retirement medical contribution to increase the fund balance by one half of one percent of active member salaries for the valuation period. State law provides that post retirement medical contributions resume in Fiscal Year 2004.

The State is also responsible for the cost attributable to P.L. 1992 c. 126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$57.9 million toward Chapter 126 benefits for 8,362 eligible retired members in Fiscal Year 2003.

(GASB Cod. Sec. 2300.107(v))

Auditor's Note – The following sample footnote disclosures are notes that are frequently omitted from school district CAFR's filed with the Department of Education. If applicable, the department **recommends** the following disclosures are included in the notes to the financial statements if applicable to that district.

NOTE X. COMPENSATED ABSENCES

The District accounts for compensated absences (e.g., unused vacation, sick leave) as directed by Governmental Accounting Standards Board Statement No. 16 (GASB 16), "Accounting for Compensated Absences". A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

District employees are granted varying amounts of vacation and sick leave in accordance with the District's personnel policy. Upon termination, employees are paid for accrued vacation. The District's policy permits employees to accumulate unused sick leave and carry forward the full amount to

subsequent years. Upon retirement employees shall be paid by the District for the unused sick leave in accordance with the District's agreements with the various employee unions.

In the district-wide *Statement of Net Assets*, the liabilities whose average maturities are greater than one year should be reported in two components – the amount due within one year and the amount due in more than one year.

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 200X, a liability existed for compensated absences in the Food Service Fund in the amount \$XX,XXX.

(GASB Cod. Sec., C60)

NOTE X. CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the _____ of _____ Board of Education by inclusion of \$_____ on _____, 200X for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the district's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the department, a district may deposit funds into the capital reserve at any time upon board resolution through the transfer of undesignated, unreserved general fund balance or of excess undesignated, unreserved general fund balance that is anticipated in the budget certified for taxes. Post-April 2004 transfers must be in compliance with P.L.2004,C.73 (S1701). Pursuant to *N.J.A.C. 6:23A-5.1(d) 7*, the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

During the fiscal year ended June 30, 20__, the District had actual interest earnings of \$_____. By board resolution, the district withdrew \$_____ from the capital reserve for use in a DOE approved facilities project, consistent with the district's Long Range Facilities Plan.

(NJ Department of Education & GASB Cod. Sec. 2300.107(1))

NOTE X. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Property and Liability Insurance - The District maintains commercial insurance coverage for property, liability, student accident and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report.

New Jersey Unemployment Compensation Insurance - The District has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the District is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The District is billed quarterly for amounts due to the State. The table on the following page is a summary of District contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the District's expendable trust fund for the current and previous two years:

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
20X3 – 20X4	\$	\$	\$	\$
20X2 – 20X3				
20X1 – 20X2				

(GASB Cod. Sec. 2300.107(a))

NOTE X. INTERFUND BALANCES AND TRANSFERS

Auditors Note - GASB Statement No. 38, paragraphs 14 and 15 revised the required disclosures for Interfund Balances and Transfers. District staff and auditors should refer to that statement for further discussion. Sample disclosures for Interfund Balances and Transfers, as well as other disclosures required by GASB 38 can be found in Appendix C of that document. The GASB Codification section 2300.903 also provides illustrations of certain required disclosures.

NOTE X. DEFICIT FUND BALANCES

The District has a deficit fund balance of \$_____ in the General Fund and \$_____ in the Special Revenue Fund as of June 30, 20__ as reported in the fund statements (modified accrual basis). P.L. 2003, c.97 provides that in the event a state school aid payment is not made until the following school budget year, districts must record the last state aid payment as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the last state aid payment in the subsequent fiscal year, the school district can not recognize the last state aid payment on the GAAP financial statements until the year the State records the payable. Due to the timing difference of recording the last state aid payment, the General and Special Revenue Fund balance deficit does not alone indicate that the district is facing financial difficulties.

Pursuant to *N.J.S.A.* 18A:22-44.2 any negative unreserved, undesignated general fund balance that is reported as a direct result from a delay in the payment of state aid until the following fiscal year, is not considered in violation of New Jersey statute and regulation nor in need of corrective action. The District deficit in the GAAP funds statements of \$_____ [is equal to (or) is less than] the last state aid payment. *[If the deficit exceeds the last state aid payment, the auditor should revise this note and indicate that the deficit is not a direct result from a delay in the payment of state aid and corrective action is required.]*

The District has an accumulated deficit of \$_____ in the Capital Projects Fund as of June 30, 20__. This deficit is the result of the _____ of _____ utilizing temporary financing to fund expenditures for certain capital projects. As the District permanently finances these appropriations the District will realize as revenues the proceeds of the financing. This deficit does not indicate that the District is facing financial difficulties and is a permitted practice under generally accepted accounting principles.

(GASB Cod. Sec. 2300.108)

NOTE X. FUND BALANCE APPROPRIATED

General Fund - Of the \$_____ General Fund fund balance at June 30, 2003, \$_____ is reserved for encumbrances; \$_____ has been legally restricted in accordance with *N.J.A.C.* 6A:23-8.5(h) as the 2003-2004 additional spending proposal was not fully expended; \$_____ has been legally reserved for tuition adjustment in accordance with *N.J.A.C.* 6A:23-3.1(f)(8); \$_____ is reserved as excess surplus in accordance with *N.J.S.A.* 18A:7F-7 (\$_____ of the total reserve for excess surplus has been appropriated and included as anticipated revenue for the year ending June 30, 20__); \$_____ has been reserved in the Capital Reserve Account; \$_____ has been appropriated and included as anticipated revenue for the year ending June 30, 20__; and \$_____ is unreserved and undesignated.

Debt Service Fund - The Debt Service Fund fund balance at June 30, 20__ of \$_____ is unreserved and undesignated.

(GASB Cod. Sec. 2300.107(l))

NOTE X. CALCULATION OF EXCESS SURPLUS

In accordance with *N.J.S.A.* 18A:7F-7, as amended by P.L. 2004, c.73 (S1701), the designation for Reserved Fund Balance -- Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to reserve General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 20__ is \$_____.

(NJ Department of Education & GASB Cod. Sec. 2300.107(l))

SECTION III – REPORTING
CHAPTER 4 – AUDITOR’S MANAGEMENT REPORT (AMR)

**AUDITOR’S MANAGEMENT REPORT ON ADMINISTRATIVE
FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE**

The Auditor’s Management Report on Administrative Findings - Financial, Compliance and Performance (Auditor’s Management Report), is the auditor’s report to the board of education of the findings and recommendations as a result of the audit. It is issued separately from the CAFR and has the same due date for submission of November 5, 2004.

N.J.S.A. 18A:23-9 states that the auditor "...report any error, omission, irregularity, violation of law, together with recommendations, to the board of education of each school district." This statute applies to the Auditor’s Management Report filed with the Department of Education. All findings must be included in that report of audit. This includes all items contained in the separate schedule of findings and questioned costs included in the single audit section of the district’s CAFR. A separate report to the board of education outlining findings not included in the report of audit is considered a violation of this statute.

Sometimes an auditor will detect an error which requires disclosure pursuant to *N.J.S.A.* 18A:23-9, however, the auditor may not believe a recommendation is needed because the error was insignificant and an isolated unintentional deviation from the Board's standard operating procedure. In such instances, the auditor must report the item as a finding, state that in his or her opinion no recommendation is necessary, and elaborate on the reason(s) for this opinion.

The report presents the recommendations immediately after the comments. Since this is a stand-alone document, a brief explanation of the statute or procedure for which there is noncompliance should be included so that the reader can understand the issue. The auditor should then include the finding and recommendation.

This section provides a sample of the Auditor’s Management Report. **It is not meant to be a boilerplate and should be adapted to the circumstances of the individual district audit.**

The standard format of the Auditor’s Manager Report includes the following sections:

- A. Table of Contents
 - B. Report of Independent Auditors
 - C. Comments, Findings and Recommendations
 - D. Schedule of Meal Count Activity
 - E. Schedule of Audited Enrollments
 - F. Excess Surplus Calculation
- A. The Table of Contents is for organization purposes and is included to assist the reader in reviewing the report.
- B. The Report of Independent Auditors provides the reader with the basis and intent of the report as well as its distribution. The sample provided in this appendix may be expanded to include an opinion on the report if that is the individual firm's policy. Either format would be acceptable by the Department of Education. The report should contain both the firm name as well as the signature and license number of the public school accountant. The report should be on firm letterhead and dated the same as the auditor’s reports included in the CAFR.
- C. The Comments, Findings and Recommendations section includes items noted during the audit that require comments and recommendations, including a repeat of any items contained in a separate schedule of findings and questioned costs included in the single audit section of the

district's CAFR. The comments and recommendations must be specific under the following applicable headings:

1. Administrative Practices and Procedures
2. Financial Planning, Accounting and Reporting
3. School Purchasing Programs
4. School Food Service
5. Student Body Activities
6. Application for State School Aid
7. Pupil Transportation
8. Facilities and Capital Assets
9. Miscellaneous
10. Follow-up on prior year findings

Recommendations must be included for all negative comments and areas of noncompliance cited, and at a minimum they are to be grouped in the above headings. The auditor may use subgroupings within these headings.

Auditor recommendations which are not the result of either a required comment or generated by a negative finding but rather represent suggestions to management should be grouped together and included at the end of the Auditor's Management Report in a section titled "Suggestions to Management". Management suggestions are not required to be included in the district's Corrective Action Plan.

Required comments must include discussions for the following areas and detailed examples are included in the sample provided:

- Fire Insurance Coverage
- Surety Bonds as to Adequacy (see Note and table below)
 - N.J.A.C.6A:23-2.5(c) "The independent school auditor shall verify the adequacy of the treasurer's surety bond which is required by N.J.S.A. 18A:17-32, and shall include appropriate comment, and a recommendation, if needed, in the annual school audit report."
- Whether appropriate billing adjustments have been made for tentative and actual tuition charges.
- Examination of Claims
- Salary Accounts
- That encumbrances, contracts, salaries and expenditures for state and federally funded projects were in accordance with laws and regulations and in conformity with procurement requirements.
- A certification that district funds were provided and expended in the proper GAAP account/code based upon audit testing of transactions. The comment must include a summary of the sample selection process, conclusions reached and additional procedures performed, if any.
- Whether the district has accurately completed its requests for social security reimbursement for TPAF members.

- Advertisement for bids in accordance with statutory requirements. Any items of noncompliance should be listed and Title 18A:18A Public School Contracts Law should be quoted.
- Limitation of Principal Amount of Bonds 18A:24-19.
- The condition of the records, with both positive and negative findings for:
 - 1) Athletic Association
 - 2) Food Services
 - 3) Student Activity Funds
 - 4) Secretary and Treasurer (status of Secretary's accounting records must be noted)
 - 5) Capital Asset Records

Note: The minimum requirements for the surety bond shall be such percentage of the current year's school budget as is required in the schedule set forth in *N.J.A.C. 6A:23-2.5*. In fixing the minimum bond, the nearest even \$1,000 shall be used.

Up to \$100,000	20% of Budget (Minimum \$10,000)
\$100,000.01 to \$250,000	\$20,000 + 15% of all over \$100,000
\$250,000.01 to \$500,000	\$42,500 + 13% of all over \$250,000
\$500,000.01 to \$750,000	\$75,000 + 8% of all over \$500,000
\$750,000.01 to \$1,000,000	\$95,000 + 4% of all over \$750,000
\$1,000,000.01 to \$2,000,000	\$105,000 + 2% of all over \$1,000,000
\$2,000,000.01 to \$5,000,000	\$125,000 + 1% of all over \$2,000,000
\$5,000,000.01 to \$10,000,000	\$155,000 + 1/2% of all over \$5,000,000
\$10,000,000.01 and upwards	\$180,000 + 1/4% of all over \$10,000,000

- D. The Schedule of Meal Count Activity documents the number of meals claimed for reimbursement under federal subsidy programs in comparison to the number of meals verified during the audit. The schedule calculates an (over)under claim based on the differences between the counts and the rates effective for the year. A finding and recommendation should be included for any differences noted.
- E. The Schedule of Audited Enrollments provides a summary of the results of the audit testing of the Application for State School Aid (A.S.S.A.) and the District Report of Transported Resident Students (DRTRS). It documents the information reported on the A.S.S.A. in comparison to the district workpapers and compares the information in the district workpapers to the underlying supporting data, quantifying any errors noted. It also documents the information reported on the DRTRS and the amount verified. A finding and a recommendation should be included for any differences noted.
- F. The Excess Surplus Calculation documents the calculation of excess surplus for the district as required under CEIFA, and as amended by P.L. 2004, c.73 (S1701), providing the maximum unreserved/undesignated fund balance which a district may have at year end. County vocational school districts receiving a Commissioner Spending Growth Limitation Adjustment (SGLA) and most other regular school districts are subject to the 3% surplus limitation. County vocational school districts not receiving a Commissioner SGLA are subject to the 6% surplus limitation.

Auditor's Note – Auditors should review the *Abbott Addendum* for guidance on the Excess Surplus Calculation for Abbott districts.

As a reminder, Government Auditing Standards require that the schedule of findings and questioned costs included in the single audit section of the CAFR present each finding in a format that addresses the condition (what is), criteria (what should be), effect (the difference between what is and what should be), cause (why it happened), and recommendation. When repeating the findings in the Auditor's Management Report, auditors may follow that same format or revise the comment to be consistent with the other items presented in the Auditor's Management Report. USOMB Circular A-133 (Section .510)

states specific requirements on the reporting of audit findings in the schedule of findings and questioned costs. Auditors should reference this section in the cases where a federal single audit of the district is necessary.

(SAMPLE AMR)

**AUDITOR'S MANAGEMENT REPORT ON ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE**

Table of Contents

	<u>Page No.</u>
Report of Independent Auditors	1
Scope of Audit	2
Administrative Practices and Procedures	
Insurance	2
Official Bonds	2
Tuition Charges	2
Financial Planning, Accounting and Reporting	
Examination of Claims	2
Payroll Account	2-3
Reserve for Encumbrances and Accounts Payable	3
Classification of Expenditures	3-4
Board Secretary's Records	4-5
Treasurer's Records	5-6
Elementary and Secondary Education Act of 1965, as amended by the Improving America's Schools Act of 1994	6
Other Special Federal and/or State Projects	6-7
T.P.A.F. Reimbursement	7
DEPA Accounting	7
School Purchasing Programs	
Contracts and Agreements Requiring Advertisement for Bids	7-9
School Food Service	9-11
Student Body Activities	11
Application for State School Aid	11
Pupil Transportation	11-12
Facilities and Capital Assets	13
Miscellaneous	16
Follow-up on Prior Year Findings	16
Acknowledgment	16
Schedule of Meal Count Activity	18
Schedule of Audited Enrollments	19-20
Excess Surplus Calculation	21

(SAMPLE AMR)

Report of Independent Auditors

Honorable President and
Members of the Board of Education
_____ School District
County of _____, New Jersey

We have audited, in accordance with generally accepted audit standards and Government Auditing Standards issued by the Comptroller General of the United States, the basic financial statements of the Board of Education of the _____ School District in the County of _____ for the year ended June 30, 20__, and have issued our report thereon dated _____, 20__.

As part of our audit, we performed procedures required by the New Jersey Department of Education, and the findings and results thereof are disclosed on the following pages, as listed in the accompanying table of contents.

This report is intended for the information of the _____ Board of Education's management and the New Jersey Department of Education. However, this report is a matter of public record and its distribution is not limited.

Licensed Public School Accountant
No. _____
Firm Name

Date _____

(SAMPLE AMR)

Administrative Findings - Financial, Compliance and Performance**Scope of Audit**

The audit covered the financial transactions of the Board Secretary/School Business Administrator and the Treasurer of School Moneys, the activities of the Board of Education, and the records of the various funds under the auspices of the Board of Education.

Administrative Practices and Procedures**Insurance**

Fire insurance coverage was carried in the amounts as detailed on Exhibit J-13, Insurance Schedule contained in the district's CAFR.

Official Bonds (*N.J.S.A.* 18A:17-26, 18A:17-32)

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Anne Edwards	Board Secretary/School Business Administrator Business Administrator	\$10,000.00
Michael E. Leonard	Treasurer	145,000.00

There is a Public Employees' Faithful Performance Blanket Position Bond with the Western Surety Company covering all other employees with multiple coverage of \$10,000.00.

Tuition Charges

A comparison of tentative tuition charges and actual certified tuition charges was made. The actual costs were less than estimated costs. The Board made a proper adjustment to the billings to sending districts for the decrease in per pupil costs in accordance with *N.J.A.C.* 6A:23-3.1(f)3.

Financial Planning, Accounting and Reporting**Examination of Claims**

An examination of claims paid during the period under review did not indicate any discrepancies with respect to signatures, certification or supporting documentation.

Payroll Account

The net salaries of all employees of the Board were deposited in the Payroll Account. Employees' payroll deductions and employer's share of fringe benefits were deposited in the Payroll Agency Account.

All payrolls were approved by the Superintendent and were certified by the President of the Board and the Board Secretary/Business Administrator.

Salary withholdings were promptly remitted to the proper agencies.

Payroll Account (cont'd)

Finding:

Some employees were paid in excess of their approved contract amounts.

Recommendation:

All employees should be paid in strict accordance with their approved contracts.

Reserve for Encumbrances and Accounts Payable

A review of outstanding issued purchase orders was made as of June 30 for proper classification of orders as reserve for encumbrances and accounts payable.

Finding:

District personnel did not perform an analysis of outstanding purchase orders at June 30 and prepare the separate listings of purchase orders comprising the balance sheet account balances for accounts payable and reserve for encumbrances. Numerous audit adjustments were needed to adjust the accounting records to properly reflect the true balances as of June 30, taking into consideration both the status of the orders at June 30 as well as their subsequent liquidation.

Recommendation:

Purchase orders should be reviewed for proper classification at June 30 as accounts payable or reserve for encumbrances based upon whether the goods have been received or the services rendered. All orders that will not be liquidated within the suggested time frame of 60 to 90 days of year-end should be cancelled. Reconciliations of the adjusted June 30 balances for accounts payable and reserve for encumbrances should be performed and the required schedules be prepared for the year end audit.

Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with *N.J.A.C. 6A:23-2.2(g)* as part of our test of transactions of randomly selected expenditure items. We also reviewed the coding of all expenditures included in our compliance and single audit testing procedures. As a result of the procedures performed, a transaction error rate of 1.90% was noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

Finding:

During our test of transactions it was noted that the district misclassified and misbudgeted professional development costs for non-instructional staff as Improvement of Instruction Services/Other Support Services-Instructional Staff - Other Purchased Professional and Technical Services. The expenditure and related appropriation was reclassified to Business and Other Support Services - Purchased Professional Services for financial statement presentation purposes.

Recommendation:

Districts should reference *The Uniform Minimum Chart of Accounts (Handbook 2R2) for New Jersey Public Schools* and other available reference materials, such as the Budget Guidelines for the proper classifications required to be in compliance with *N.J.A.C. 6A:23-2.2(g)*.

Finding:

The expenditure for substitute teacher salaries was not charged to the appropriate line item account in accordance with *The Uniform Minimum Chart of Accounts (Handbook 2R2) for New Jersey Public Schools*. The amount was reclassified for financial statement presentation, resulting in a deficit in the proper line item account.

Classification of Expenditures (cont'd)

Recommendation:

Districts should reference The Uniform Minimum Chart of Accounts (Handbook 2R2) for New Jersey Public Schools and other available reference materials, such as the Budget Guidelines, for the proper classifications required to be in compliance with *N.J.A.C. 6A:23-2.2(g)*.

Board Secretary's Records

Our review of the financial and accounting records maintained by the board secretary disclosed the following items.

Finding:

Bids received were not summarized in the minutes (*N.J.S.A. 18A:18A-21*).

Recommendation:

Bids received should be summarized in the minutes of the Board Secretary.

Finding:

Acknowledgment of the Board's receipt (non-receipt) of the Board Secretary's and Treasurer's monthly financial reports was not included in the minutes.

Recommendation:

The Board should acknowledge in the minutes receipt (non-receipt) of the Board Secretary's and Treasurer's monthly reports.

Finding:

Budget appropriations were greater than realized revenues and board authorized use of surplus. The Board Secretary was aware of the revenue shortfall at least six months prior to the fiscal year end, but did not request that the Board make corresponding adjustments and or/appropriate surplus in order to balance the budget.

Recommendation:

In the event of a shortfall in budgeted revenues, the Board Secretary should request that the Board adjust appropriations and/or make appropriations of surplus in order to balance the budget.

Finding:

Several budgetary line accounts were overexpended during the fiscal year and at June 30 despite the board secretary's monthly certification to the contrary (*N.J.A.C. 6A:23-2.11*).

Recommendations:

Approved budgetary line accounts should not be overexpended. The Board Secretary should not approve the issuance of purchase orders that would cause an overexpenditure in the line account to be charged, prior to the Board approving the requested transfer of additional appropriations to cover such orders.

The Board Secretary should file monthly certifications of the budgetary line item status which are consistent with the actual budgetary records.

Finding:

Payments to vendors were made prior to the receipt of goods.

Recommendation:

Payment should not be made until the receipt of goods.

Board Secretary's Records (cont'd)

Finding:

The capital asset records were not updated for the additions and disposals of capital assets made during the year.

Recommendation:

The District should have adequate internal control procedures over its capital assets, including periodic update of the general ledger for additions and disposals.

Finding:

The District is not maximizing its efforts under the Special Education Medicaid Initiative (SEMI) Program for obtaining Federal funding for special education services.

Recommendation:

The District should establish procedures to ensure that it maximizes its efforts under SEMI for obtaining Federal reimbursement for special education services.

Treasurer's Records

The following items were noted during our review of the records of the Treasurer.

Finding:

The Treasurer did not perform cash reconciliations for the general operating account, payroll account, or payroll agency account (N.J.S.A. 18A:17-36).

Recommendation:

Each month, the Treasurer should determine cash balances by performing cash reconciliations for the general operating account, payroll account, and the payroll agency account.

Finding:

Not all cash receipts were promptly deposited.

Recommendation:

The Treasurer should promptly deposit all cash receipts.

Finding:

The Treasurer's records were not in agreement with the records of the Board Secretary. Also, the Treasurer's cash balance for the general operating account was not in agreement with the reconciled cash balance as determined during the audit.

Recommendation:

The Treasurer should reconcile his cash records with the reconciled bank statements and the cash records of the Board Secretary.

Elementary and Secondary Education Act (E.S.E.A.)/Improving America's Schools Act (IASA) as reauthorized by the No Child Left Behind Act of 2001.

The E.S.E.A. financial exhibits are contained within the Special Revenue Section of the CAFR. This section of the CAFR documents the financial position pertaining to the projects under Titles I and VI of the Elementary and Secondary Education Act as amended.

The study of compliance for E.S.E.A. indicated the following areas of noncompliance and/or questionable costs.

Finding:

Salary charges were not documented each pay period. Allocated salary charges for teaching staff members were not supported by employee time sheets.

Recommendation:

The allocation of salaries among federal/state grants should be supported by employee time sheets.

Findings:

Three A.B.C. computers and software costing \$3,300 were charged to Title I-Part A. These items were not labeled Title I nor were they located in the designated Title I classrooms. The computer equipment and software were located in an area utilized by the general school population. (Serial Nos. XXXXX, XXXXX and XXXXX)

Printing costs of \$1,200 for a brochure unrelated to E.S.E.A. were charged to the Title I-Part A grant.

Recommendation:

Only those costs associated with the federal/state grants should be charged to the grant.

Findings:

Due to Grantor balances were not returned/disposed of in accordance with the grant agreement.

Recommendation:

Due to Grantor balances must be returned immediately with the submission of the final grant expenditure report.

Other Special Federal and/or State Projects

The district's Special Projects were approved as listed on Schedule A and Schedule B located in the CAFR.

Our audit of the federal and state funds on a test basis, indicated that obligations and expenditures were incurred during the fiscal year or project period for which the project was approved.

The financial exhibits are contained within the Special Revenue Section of the CAFR. This section of the CAFR documents the financial position pertaining to the aforementioned special projects.

The study of compliance for the special projects indicated the following areas of noncompliance:

I.D.E.A. Part B

Finding:

Separate accounting was not maintained for each approved project.

Recommendation:

The Board Secretary should maintain separate accounting with the account coding structure of the minimum outline for each state approved project within a federal/state grant program.

Finding:

Grant application approvals and acceptance of grant funds were not made by board resolution or recorded in the minutes.

Recommendation:

All filings of federal and state grant applications and subsequent acceptance of grant funds should be approved by board resolution and recorded in the minutes.

T.P.A.F. Reimbursement

Our audit procedures included a test of the biweekly reimbursements (electronic, but districts can print out the DOENET screen for an auditor) filed with the Department of Education for district employees who are members of the Teachers Pension and Annuity Fund. No exceptions were noted.

Nonpublic State Aid

Finding:

Project Completion Reports were not finalized and transmitted to the Department by the due date.

Recommendation:

The District must file nonpublic state aid project completion reports, in accordance with Departmental instructions, by the due date.

DEPA Accounting

The school district's accounting records for Demonstrably Effective Program Aid (DEPA) were maintained in accordance with *N.J.A.C.* 6A:23-5.5(c), which states that the district board of education must maintain separate school-accounts in the special revenue section of the district budget.

School Purchasing Programs

Contacts and Agreements Requiring Advertisement for Bids

[Effective April 17, 2000, *N.J.S.A.* 18A:18A-1 et seq. (Public School Contracts Law) was revised by P.L.1999, c.440. The associated rules were drafted by the Department of Community Affairs, with consultation from the Commissioner of Education. Information on the changes, the statute, and school contracts in general is available on the website <http://www.state.nj.us/njded/pscl/index.html>].

Auditors should refer to Section I, Chapter 5, Bids & Contracts/Purchasing for highlights of *N.J.S.A.* 18A:18A-3 and 4.

Effective April 17, 2000 and thereafter the bid thresholds in accordance with *N.J.S.A.* 18A:18A-3 (as amended) and 18A:39-3 are \$17,500 and \$12,800 respectively.

The district board of education has the responsibility of determining whether the expenditures in any category will exceed the statutory thresholds within the contract year. Where question arises as to whether any contract or agreement might result in violation of the statute, the Solicitor's opinion should be sought before a commitment is made.

Based on the results of my examination, I did not note any individual payments, contracts, or agreements made for the performance of any work or goods or services, in excess of the statutory thresholds where there had been no advertising for bids in accordance with the provision of *N.J.S.A. 18A:18A-4*, amended.

Resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services" per *N.J.S.A. 18A:18A-5*.

Finding:

A Widget computer costing \$18,000.00, not manufactured in the United States, was purchased even though bids submitted for American made computers met the specifications (*N.J.S.A. 18A:18A-20*, amended). (Serial No. XXXX)

Recommendation:

American goods and products should be used where possible.

Finding:

Notice of revisions to bid specifications for purchase of telephone equipment (non construction contracts) was not provided to a vendor who had received a bid package. (*N.J.S.A.18A:18A-21c*, amended)

Recommendation:

The district should notify any person who has submitted a bid or received a bid package of revisions to bid specifications. One of three permissible means of notification should be used a) in writing by certified mail, b) by certified facsimile transmission, i.e., the sender's facsimile machine produces a receipt showing date and time of transmission and that the transmission was successful or c) by a delivery service that provides certification of delivery to the sender.

Finding:

The purchase of a Fun video center costing \$19,500.00 and designated as made pursuant to a state contract was awarded to a vendor who did not have the state contract for the specific equipment purchased, according to the state contract award bulletin on file in the district's office.

Recommendation:

Contracts awarded to vendors pursuant to a state contract should be made for only those items specifically included in the state contract award bulletin for such vendor.

Finding:

Bids received, resulting in a capital improvement costing \$23,000.00, performed by MLA Construction Co., were not publicly unsealed and announced in the presence of the parties bidding or their agents (*N.J.S.A. 18A:18A-21*, amended).

Recommendation:

All bids should be unsealed and announced publicly in the presence of the parties bidding or their agents.

School Food Service

[The School Food Service section of the Auditor's Management Report must contain statements such as those noted below (with the respective related findings, if applicable, cross-referenced to the CAFR). Also, please indicate "No Exceptions Noted" when there are no findings].

The financial transactions and statistical records of the school food service fund were reviewed. The financial accounts, meal count records and eligibility applications were reviewed on a test-check basis.

Finding:

Food service accounting records maintained by the district's central administration office did not agree with the records maintained by the Food Service Director.

Recommendation:

The district should establish procedures that will reconcile the food service director's records and the food service records maintained by the central administration office.

The number of meals claimed for reimbursement was compared to sales and meal count records. As part of the claims review process the Edit Check Worksheet was completed.

Finding:

Meals claimed did not agree with meal count records resulting in an overclaim, as detailed on the Schedule of Meal Count Activity (See section II-50).

Recommendation:

Prior to submitting reimbursement vouchers to the N.J. Department of Agriculture, the meals claimed should be verified to the meal count activity records and Edit Check Worksheets.

Applications for free and reduced price meals were reviewed for completeness and accuracy. The number of free and reduced price meals claimed as served was compared to the number of valid applications on file, times the number of operating days, on a school by school basis. The free and reduced price meal and free milk policy was reviewed for uniform administration throughout the school system. Sites approved to participate in Provisions were examined for compliance with all counting and claiming requirements. The required verification procedures for free and reduced price applications were completeness and availability.

Findings:

A number of exceptions were noted regarding free and reduced price lunch applications. Applications were not properly completed; household income was not properly applied when determining free and reduced price and several applications were not available for audit.

Recommendation:

The free and reduced applications/documentation should be properly determined, completed as required and available for audit.

Expenditures should be separately recorded as food, labor and other costs. Vendor invoices were reviewed and costs verified. Inventory records on food supply items were currently maintained and properly applied in determining the cost of food and supplies used.

The cash disbursements records reflected expenditures for program related goods and services. The appropriate revenue and expenditure records were maintained in order to substantiate the non-profit status of the school food service. Net cash resources did not exceed three months average expenditures.

Cash receipts and bank records were reviewed for timely deposit.

Finding:

The district's food service receipts were not deposited promptly and supporting documentation did not reconcile with the amounts deposited.

Recommendation:

The district's food service receipts should be deposited promptly and intact. Amounts deposited should reconcile to the supporting documentation.

If applicable, districts with food service management companies are depositing and expending program monies in accordance with N.J.S.A. 18A:17-34, and 19-1 through 19-4.1.

Time sheets were reviewed and labor costs verified. Payroll records were maintained on all School Food Services employees authorized by the board of education. No exceptions were noted.

Food Distribution Program commodities were received and a separate inventory was maintained on a first-in, first-out basis. No exceptions were noted.

Exhibits reflecting Child Nutrition Program operations are included in the section entitled Enterprise Funds, Section G of the CAFR.

Auditor's Note: The AICPA Audit Guide *Audits of States, Local Governments, and Not-for Profit Organizations Receiving Federal Awards*, section 5.13 defines food commodities distributed as non-cash federal financial assistance. The total value of the commodities received as well as the value distributed by school districts must be reflected as revenue and expenditures, respectively.

In the event that commodity inventories are not maintained sufficiently to allow the auditor to include this activity in the financial statements and schedules, a finding and recommendation must be included in the Auditor's Management Report.

Student Body Activities

During our review of the student activity funds, the following items were noted.

Finding:

The Board had no policy that clearly established the regulation of student activity funds.

Recommendation:

The Board should approve a policy establishing the regulation of student activity funds.

Finding:

Not all cash receipts were promptly deposited.

Recommendation:

All cash receipts should be promptly deposited.

Finding:

Not all cash disbursements had proper supporting documentation.

Recommendation:

Proper supporting documentation should be maintained for all cash disbursements.

Application for State School Aid

Our audit procedures included a test of information reported in the October 15, 2003 Application for State School Aid (A.S.S.A.) for on-roll, private schools for the handicapped, low-income, and bilingual. We also performed a review of the district procedures related to its completion. The information on the A.S.S.A. was compared to the district workpapers without exception. The information that was included on the workpapers was verified without exception. The results of our procedures are presented in the Schedule of Audited Enrollments.

The district maintained workpapers on the prescribed state forms or their equivalent.

The district written procedures appear to be adequate for the recording of student enrollment data.

Pupil Transportation

Our audit procedures included a test of on roll status reported in the 2003-04 District Report of Transported Resident Students (DRTRS). The information that was included on the DRTRS was verified to the DRTRS Eligibility Summary Report without exception. The results of our procedures are presented in the Schedule of Audited Enrollments.

Our procedures also included a review of transportation related contracts and purchases. Based on our review, the district complied with proper bidding procedures and award of contracts. The bid specifications for the purchase of buses were in compliance with applicable statutes. No exceptions were noted in our review of transportation related purchases of goods and services.

Facilities and Capital Assets

Our procedures included a review of the EDA grant agreement for consistency with recording EDA revenue, transfer of local funds from the general fund or from the capital reserve account, and awarding of contracts for eligible facilities construction.

Finding:

Revenue was recorded prior to signing of the EDA grant agreement.

Recommendation:

Grant revenue should be recorded only after the EDA grant agreement is signed.

Finding:

Contracts were awarded prior to signing of the grant.

Recommendation:

Contracts should only be awarded after the EDA grant agreement is signed.

Finding:

Funds were transferred from the capital reserve account to the capital projects fund prior to signing the EDA grant agreement.

Recommendation:

Funds may be transferred to the capital projects fund only after the EDA grant agreement is signed.

Finding:

The district entered into an energy services contract (ESCO) in which the financing for the improvements to its plant mechanical systems is through a lease purchase agreement (LPA) for ten years.

Recommendation:

Financing for any future ESCO must be obtained through existing legal mechanisms such as bond proceeds (if the scope of the work is in the original question), an LPA for five years or less, or through the annual budget process for the full amount of the retrofitting work.

Follow-up on Prior Year Findings

In accordance with government auditing standards, our procedures included a review of all prior year recommendations. Corrective action had been taken on all prior year findings with the exception of the following, which is repeated in this year's recommendations:

Approved budgetary line accounts should not be overexpended.

[If there were no prior year findings, indicate "Not Applicable" in this section. Do not omit the section.]

Acknowledgment

We received the complete cooperation of all the officials of the school district and I greatly appreciate the courtesies extended to the members of the audit team.

SCHEDULE OF MEAL COUNT ACTIVITY**ANYTOWN SCHOOL DISTRICT**
FOOD SERVICE FUND**NUMBER FOR MEALS SERVED AND (OVER) UNDERCLAIM****ENTERPRISE FUND****FOR THE FISCAL YEAR ENDED JUNE 30, 200X**

PROGRAM	MEAL CATEGORY	MEALS CLAIMED	MEALS VERIFIED	DIFFERENCE	RATE(a)	(OVER) UNDER CLAIM (b)
National School Lunch (Regular Rate)	Paid	300,000	296,000	(4,000)	.25	\$ (1,000.00)
	Reduced	50,000	48,600	(1,400)	1.89	(2,646.00)
	Free	5,820	5,000	(820)	2.29	(1,877.80)
	TOTAL	355,820	349,600	(6,220)		\$(5,523.80)
School Breakfast (Regular Rate)	Paid	125	125	-0-	.32	\$-0-
	Reduced	300	360	60	1.00	60.00
	Free	3,868	3,808	(60)	1.30	(78.00)
	TOTAL	4,293	4,293	-0-		\$(18.00)
Special Milk	Paid	2,500	2,500	-0-	.13	\$-0-
	Free	7,500	7,500	-0-	Average Cost	-0-
	TOTAL	10,000	10,000	-0-		\$-0-
After School Snacks	<i>Paid</i>	350	350	-0-	.05	-0-
	<i>Reduced</i>	0	0	0	.30	0
	Free(Area Eligible)	475	501	26	.60	15.60
	TOTAL	825	851	26		\$15.60
TOTAL NET OVERCLAIM						\$(5,526.20)

- (a) Reimbursement rates are subject to annual change. **Rates indicated here are for illustrative purposes only.** See appropriate rates in Section II, Chapter 50 - Child Nutrition Program Requirements.
- (b) Overclaims or underclaims must be reflected by program on the Schedule of Findings and Questioned Costs.

Anytown School District
Application for State School Aid Summary
Enrollment as of October 15, 2003

To link to the sample Schedule of Audited Enrollments, click on the link below:

[Audited Enrollments](#)

Select tab ASSA 1 of 2 to print page III-4.19 of the Audit Program.

Anytown School District
Application for State School Aid Summary
Enrollment as of October 15, 2003

To link to the sample Schedule of Audited Enrollments, click on the link below:

[Audited Enrollments](#)

Select tab ASSA 2 of 2 to print page III-4.20 of the Audit Program.

EXCESS SURPLUS CALCULATION

Auditor's Note – The material in this section is impacted by the passage of P.L. 2004, c.73 (S1701), signed by the Governor July 1, 2004. Please refer to the Significant Changes section of the Introduction chapter of *The Audit Program* for additional guidance and procedures related to the new legislation. Also, Auditors should refer to the *Abbott Addendum* for items that specifically relate to Abbott school districts.

Below is the sample calculation worksheet. See Section II, Chapter 10 for the related discussion on EXCESS SURPLUS calculation. Abbott districts should refer to the Abbott Addendum to the Audit Program for the sample calculation worksheet applicable to Abbott districts and any related guidance, including the required percentage.

Pursuant to P.L. 2004, c.73 (S1701), the excess surplus calculation for regular school districts changed from 6% to 3% and the minimum has been raised from \$75,000 to \$100,000. In addition, three new lines have been added to the excess surplus calculation for regular school districts to capture any disallowed post April 2004 election fund balance appropriations as well as any disallowed "Certification" or non-"Certification" in the recertification process of the 2004-05 A4F per S1701; refer to the introductory section and supplemental S1701 guidance issued. County vocational school districts receiving a Commissioner SGLA will still be subject to 3% surplus as included in Part A of the 6% calculation. County vocational school districts not receiving a Commissioner SGLA will still be subject to 6% surplus as included in either Part B or Part C of the 6% calculation. The illustrations that follow show the regular district calculation separately from the county vocational district sample.

CALCULATION:

Complete Sections 1 and 2. If the total of Section 2 is **greater** than the applicable portion of Section 1, enter the difference in Section 3. If the difference results in a negative, enter a zero in Section 3. The applicable sections are to be submitted as part of the Auditor's Management Report.

EXCESS SURPLUS CALCULATION**REGULAR DISTRICT****SECTION 1****A. 3% Calculation of Excess Surplus**

2003-04 Total General Fund Expenditures per the CAFR, Ex. C-1 \$_____ (B)

Increased by:

Transfer to Food Service Fund \$_____ (B1a)

Transfer from Capital Outlay to Capital Projects Fund \$_____ (B1b)

Transfer from Capital Reserve to Capital Projects Fund \$_____ (B1c)

Decreased by:

On-Behalf TPAF Pension & Social Security \$_____ (B2a)

Assets Acquired Under Capital Leases \$_____ (B2b)

Adjustment for Disallowed Expenditures per S1701 \$_____ (B2c)

Adjusted 03-04 General Fund Expenditures [(B)+(B1s)-(B2s)] \$_____ (B3)

3% of Adjusted 2003-04 General Fund Expenditures

[(B3) times .03] \$_____ (B4)

Enter Greater of (B4) or \$100,000 \$_____ (B5)

Increased by: Allowable Adjustment * \$_____ (K)

Maximum Unreserved/Undesignated Fund Balance [(B5)+(K)] \$_____ (M)

SECTION 2

Total General Fund - Fund Balances @ 6-30-04

(Per CAFR Budgetary Comparison Schedule C-1) \$_____ (C)

Decreased by:

Reserved for Encumbrances _____ (C1)

Legally Restricted – Designated for Subsequent Year's

Expenditures \$_____ (C2)

Excess Surplus – Designated for Subsequent Year's

Expenditures ** \$_____ (C3)

Other Reserved Fund Balances **** \$_____ (C4)

Unreserved -- Designated for Subsequent Year's

Expenditures \$_____ (C5)

Total Unreserved/Undesignated Fund Balance

[(C)-(C1)-(C2)-(C3)-(C4)-(C5)] \$_____ (U1)

Increased by:

Adjustment for Disallowed Transfers per S1701 \$_____ (C6)

Total Unreserved/Undesignated Fund Balance for Excess Surplus Calculation \$_____ (U2)
(U1+C6)

SECTION 3

Reserved Fund Balance – Excess Surplus***[(U2)-(M)] IF NEGATIVE ENTER -0-\$_____ (E)

Recapitulation of Excess Surplus as of June 30, 2004

Reserved Excess Surplus – Designated for Subsequent Year's Expenditures **	\$ _____ (C3)
Reserved Excess Surplus ***[(E)]	\$ _____ (E)
Fund Balance Reserved for 2005-06 per S1701 ***	\$ _____ (F)
Total [(C3) + (E) + (F)]	\$ _____ (D)

Footnotes:

- * This adjustment line (as detailed below) is to be utilized for Impact Aid (when applicable), Sale and Lease-back (Refer to the Audit Program Section II, chapter 10), Extraordinary Aid, and Additional Nonpublic School Transportation Aid if applicable (Refer to the Audit Program Section II, Chapter 10 for restrictions on the inclusion of Extraordinary Aid and Additional Nonpublic School Transportation Aid).

Detail of Allowable Adjustments

Impact Aid	\$ _____ (H)
Sale & Lease-back	\$ _____ (I)
Extraordinary Aid	\$ _____ (J1)
Additional Nonpublic School Transportation Aid	\$ _____ (J2)
Total Adjustments [(H)+(I)+(J1)+(J2)]	\$ _____ (K)

- ** This amount represents the June 30, 2003 Excess Surplus (C3 above) and must be included in the Audit Summary Worksheet Line 10025.

- *** Amounts must agree to the June 30, 2004 CAFR and the sum of the two lines must agree to Audit Summary Worksheet Line 10024.

- **** Amount for Other Reserved Fund Balances must be detailed for each source. Use in the excess surplus calculation of any legal reserve that is not state mandated or that is not legally imposed by an other type of government, such as the judicial branch of government, must have Departmental approval. District requests should be submitted to the Division of Finance prior to September 30.

Detail of Other Reserved Fund Balance

Statutory restrictions:	
Approved unspent separate proposal	\$ _____
Capital outlay for a district with a capital outlay SGLA	\$ _____
Sale/lease-back reserve	\$ _____
Capital reserve	\$ _____
Maintenance reserve	\$ _____
Tuition reserve	\$ _____
Other state/government mandated reserve	\$ _____
[Other Reserved Fund Balance not noted above]****	\$ _____
Total Other Reserved Fund Balance	\$ _____ (C4)

EXCESS SURPLUS CALCULATION**COUNTY VOCATIONAL DISTRICTS****SECTION 1****A. 3% Calculation of Excess Surplus**

Approved 3% Surplus Level per Department of Education
(Commissioner SGLA 2004-05 listing)

\$ _____ (A)

Increased by: Allowable Adjustment *

\$ _____ (K)

Maximum Unreserved/Undesignated Fund Balance [(A)+(K)]

\$ _____ (M)

B. 6% Calculation of Excess Surplus (2003-2004 expenditures of \$100 million or less)

2003-04 Total General Fund Expenditures per the CAFR, Ex. C-1 \$ _____ (B)

Increased by:

Transfer to Food Service Fund

\$ _____ (B1a)

Transfer from Capital Outlay to Capital Projects Fund

\$ _____ (B1b)

Transfer from Capital Reserve to Capital Projects Fund

\$ _____ (B1c)

Decreased by:

On-Behalf TPAF Pension & Social Security

\$ _____ (B2a)

Assets Acquired Under Capital Leases

\$ _____ (B2b)

Adjusted 03-04 General Fund Expenditures [(B)+(B1s)-(B2s)]

\$ _____ (B3)

6% of Adjusted 2003-04 General Fund Expenditures

[(B3) times .06]

\$ _____ (B4)

Enter Greater of (B4) or \$100,000

\$ _____ (B5)

Increased by: Allowable Adjustment *

\$ _____ (K)

Maximum Unreserved/Undesignated Fund Balance [(B5)+(K)]

\$ _____ (M)

C. 6% Calculation of Excess Surplus (2003-2004 expenditures greater than \$100 million)

2003-04 Total General Fund Expenditures

\$ _____ (B)

Increased by:

Transfer to Food Service Fund

\$ _____ (B1a)

Transfer from Capital Outlay to Capital Projects Fund

\$ _____ (B1b)

Transfer from Capital Reserve to Capital Projects Fund

\$ _____ (B1c)

Decreased by:

On-Behalf TPAF Pension & Social Security

\$ _____ (B2a)

Assets Acquired Under Capital Leases

\$ _____ (B2b)

Adjusted 03-04 General Fund Expenditures [(B)+(B1s)-(B2s)]

\$ _____ (B3)

2003-04 General Fund Expenditures in excess of \$100 million

[(B3) minus \$100,000,000]

\$ _____ (B4)

3% of General Fund Expenditures in excess of \$100 million
 [(B4) times .03] \$_____ (B5)

(B5) Plus \$6,000,000 \$_____ (B6)

Increased by: Allowable Adjustment * \$_____ (K)

Maximum Unreserved/Undesignated Fund Balance [(B6)+(K)] \$_____ (M)

SECTION 2

Total General Fund - Fund Balances @ 6-30-04
 (Per CAFR Budgetary Comparison Schedule C-1) \$_____ (C)

Decreased by:

Reserved for Encumbrances _____ (C1)

Legally Restricted – Designated for Subsequent Year's
 Expenditures \$_____ (C2)

Excess Surplus – Designated for Subsequent Year's
 Expenditures ** \$_____ (C3)

Other Reserved Fund Balances **** \$_____ (C4)

Unreserved -- Designated for Subsequent Year's
 Expenditures \$_____ (C5)

Total Unreserved/Undesignated Fund Balance
 [(C)-(C1)-(C2)-(C3)-(C4)-(C5)] \$_____ (U)

SECTION 3

Reserved Fund Balance – Excess Surplus***[(U)-(M)] IF NEGATIVE ENTER -0- \$_____ (E)

Recapitulation of Excess Surplus as of June 30, 2004

Reserved Excess Surplus – Designated for Subsequent Year's
 Expenditures ** \$_____ (C3)

Reserved Excess Surplus ***[(E)] \$_____ (E)

Total [(C3) + (E)] \$_____ (D)

* This adjustment line (as detailed below) is to be utilized for Impact Aid (when applicable), Sale and Lease-back (Refer to the Audit Program Section II, chapter 10), and Extraordinary Aid and Additional Nonpublic School Transportation Aid if applicable (Refer to the Audit Program Section II, Chapter 10 for restrictions on the inclusion of extraordinary aid).

Detail of Allowable Adjustments

Impact Aid \$_____ (H)

Sale & Lease-back \$_____ (I)

Extraordinary Aid \$_____ (J1)

Additional Nonpublic School Transportation Aid \$_____ (J2)

Total Adjustments [(H)+(I)+(J1)+(J2)] \$_____ (K)

** This amount represents the June 30, 2003 Excess Surplus (C3 above) and must be included in the Audit Summary Worksheet Line 10025.

*** Amount must agree to the June 30, 2004 CAFR and Audit Summary Worksheet Line 10024.

**** Amount for Other Reserved Fund Balances must be detailed for each source. Use in the excess surplus calculation of any legal reserve that is not state mandated or that is not legally imposed by another type of government, such as the judicial branch of government, must have Departmental approval. District requests should be submitted to the Division of Finance prior to September 30.

Detail of Other Reserved Fund Balance

Statutory restrictions:

Approved unspent separate proposal \$ _____

Capital outlay for a district with a capital outlay SGLA \$ _____

Sale/lease-back reserve \$ _____

Capital reserve \$ _____

Maintenance reserve \$ _____

Tuition reserve \$ _____

Other state/government mandated reserves \$ _____

Other Reserved Fund Balance not noted above**** \$ _____

Total Other Reserved Fund Balance \$ _____ (C4)

SECTION III – REPORTING
CHAPTER 5 – AUDIT SUMMARY WORKSHEET DISKETTE

All school districts are required to have their auditor complete and submit the Audit Summary (Audsum) Worksheet(s) computer diskette and the CAFR and then transmit the Auditor completed audsum data to the NJ Department of Education via the DOENET. The department uses this information for various reporting and analytical purposes. The information from the Audsum diskette will be downloaded into the actual column of the DOE budget software used by the district. Districts cannot access and revise this data via the budget program if the data is incorrect. Only the auditor can make corrections through the submission of a revised Audsum diskette. For revisions, both the auditor and the district board secretary/business administrator must sign a new letter of transmittal and revised CAFR pages must also be submitted, if applicable. **The board secretary/business administrator is responsible for carefully reviewing the reports generated by the diskette and signing off on the transmittal letter as to the accuracy of the information.** Both the auditor and district personnel are advised to pay particular attention to the accuracy of the data submitted to avoid having to resubmit the data!

Auditor's Note – The Department **highly recommends** that the Audsum be completed prior to filing the CAFR. The Audsum has numerous edits that can flag common reporting errors such as the reporting of excess surplus, special education program expenditures, food service operations, and fund balances.

For districts which operate a regional day school or other approved separate entity in addition to a regular day school, the school auditor must submit separate audit summary diskettes for each entity.

An audit report **will be considered incomplete** until the required Audsum diskette is received by the statutory deadline.

General Fund Surplus

Separate lines for the breakout of general fund are provided in the Audsum diskette as follows:

- Legal reserves (10010)
- Reserve for tuition (10015)
- Reserved for encumbrances (10020)
 - Abbott school districts:
 - Reserved for Encumbrances – State & Local Fund 15 (10021) (Memo)
 - Reserved for Encumbrances – Federal Fund 15 (10022) (Memo)
- Current year excess surplus (10024)
- Prior year excess surplus designated for subsequent year's expenditure (10025)
- Reserved for encumbrances – Capital Projects Funds (10030)
- Reserved for adult education (10040)
- Maintenance reserve account (10045)
- Capital reserve account (10050)
- Unreserved - undesignated general fund balances (10070)
- Unreserved fund balance that is designated for subsequent year's expenditure (10075)

The Reserved for Encumbrances – State & Local Fund 15 and Reserved for Encumbrances – Federal Fund 15 lines are a subset of the amount reported in line 10020. The total of these two lines should match the amount reported on the Fund 15 Balance Sheet as Reserved for Encumbrances at the end of the audit year.

Include on the unreserved - designated fund balance line only those amounts which were included in the 2004-05 certified budget as budgeted fund balance on line 121 that have not been included in the legal reserve line or the prior year excess surplus designated for subsequent year's expenditure. Include in the unreserved - undesignated line all other unreserved fund balance.

Transfer of Surplus to the Capital Projects Fund

When specifically approved by the voters or board of school estimate or the Commissioner, districts may transfer surplus from the general fund to the capital projects fund. Such transfers should be shown in the CAFR as an operating transfer with the appropriate disclosure made in the notes to the financial statements. When reporting on the Audsum diskette, the restated balances after the transfer should be reported as the July 1 balances.

Abbott Districts – Fund 15 Audit Summary Worksheet

All districts are required to report school-based expenditures in the 2003-04 Audit Summary Worksheet. A separate Fund 15 statement must be completed for each whole school reform school implementing school-based budgeting. There is an edit in the software to verify that the sum of all Fund 15 expenditures statements equal the sum of the "Contribution to Whole School Reform" lines entered in the "Expenditures" data entry screen when both sides are adjusted to exclude the prior year encumbrances.

When reporting expenditures under the "Expenditures" data entry screen, only include expenditures related to district-wide costs and non-whole school reform schools. Fund 15 expenditures are not to be reported in the "Expenditures" data input screen. Fund 15 expenditures are to be reported under the "School Based Expenditures" data entry screen. Failure to enter the Fund 15 data separately will result in the reporting of inaccurate data to Federal and State agencies. This will also cause inaccurate data to be preloaded into upcoming budgets.

SECTION III-REPORTING
CHAPTER 6 – AUDIT CHECKLISTS & QUESTIONNAIRE

TO BE COMPLETED BY BOARD SECRETARY/BUSINESS ADMINISTRATOR

Three checklists (Current Operating Funds, Student Activity Fund, and Food Service Fund) of actions to be performed or documents to have available in advance of the audit are provided here to assist board secretaries/business administrators in preparing for the year end audit. These checklists may be modified by the audit firm to incorporate additional documents as needed.

**CHECKLIST FOR ANNUAL AUDIT
CURRENT OPERATING FUNDS**

SCHOOL YEAR 2003-2004

- () 1. Copy of complete budget approved by the county superintendent., including supporting documents and statements and any attachments.
- () 2. The entries in the financial records of the Board Secretary and the Treasurer of school moneys must be up-to-date and balances reconciled.
 - a. Complete all posting and closing entries for all financial records, including the net payroll account and payroll agency accounts, and bond and interest account as of June 30, 2004.
 - b. All adjusting entries must be made as of June 30 to reflect the accounting records on a modified accrual basis. See the GASB 34 Implementation section after # 40 for information for the accrual basis.
 - c. All entries in the Athletic Association records must be up-to-date and records must be balanced.
- () 3. Complete Comprehensive Annual Financial Report (CAFR) as of June 30, 2004.
- () 4. Trial balance reflecting adjusting and closing entries as of June 30, 2004, as support for the CAFR.
- () 5. All books and records of the board secretary/business administrator including but not limited to:
 - a. General Journal for FY 2003-2004
 - b. Special Purpose Journals for FY 2003-2004
 - c. General Ledgers for FY 2003-2004
 - d. Revenue Subsidiary Ledgers for FY 2003-2004
 - e. Expenditure Subsidiary Ledgers for FY 2003-2004
 - f. Chart of Accounts for FY 2003-2004
- () 6. All purchase orders for the year.
 - a. Analyses of open purchase orders at June 30, 2004.
 - b. Separate lists must be prepared for those orders representing accounts payable at June 30th and those orders that will be liquidated and paid in the subsequent fiscal years.
 - c. The total of these lists should agree with the June 30th general ledger balances for accounts payable and reserve for encumbrances., respectively
- () 7. Monthly reconciliations of all checking accounts must be prepared and available.
 - a. Bank statements for 13 months, including related canceled checks, debit and credit memos, returned by the bank and duplicate deposit tickets for the period July 1, 2003 through July 31, 2004.
- () 8. Monthly reconciliations of Bond and Interest accounts must be prepared and available
 - a. Bond and interest accounts must be currently maintained.

- b. Paid bonds and coupons, together with reconciled bank statements on which they are listed chronologically.
 - c. The bond register, posted to date.
- () 9. All cash on hand including the petty cash fund, must be deposited in the bank depository by June 30, 2004.
- () 10. List of investments, if any, outstanding as of June 30, 2004.
- () 11. Copies of all applications, third party contracts (when applicable), revenue verification notices, all approved budgets and budget modifications in connection with State and Federal Aid, including information on all approved special programs or projects.
- () 11. Copies of required financial Special Project Completion Reports filed in connection with State, Federal or special projects, such as NCLB, Vocational reports, etc. Copies of prior year Special Project Completion Reports and copies of warrants remitting unexpended balances that were not approved for carryover to the grantor agency.
- () 12. Request for Local Property Taxes (Forms T-1 and T-2)
- Monthly statutory financial statements of the Secretary (Form A-148) and Treasurer (A-149) per *N.J.S.A.* 18A:17-9 and 36.
- () 13. Minutes of board meetings, which should be reviewed prior to the audit to determine whether the proceedings are complete and properly signed. In connection with Board action, were the following subject matters recorded in the minutes?

Full spread of the adopted detailed budget
N.J.S.A. 18A:22-8
Board resolutions and full detail of Budget Transfers of line items with the budget or from surplus.
N.J.S.A. 18A:22-8.1
Organization Meeting
N.J.S.A. 18A:10-5
Establishment of Petty Cash Fund
N.J.S.A. 18A:19-13, *N.J.A.C.* 6:23-2A.9
Official Depositories
N.J.S.A. 18A:17-34
Official Newspaper Designated
N.J.S.A. 18A:18A-21
Bill or Voucher List
N.J.S.A. 18A:19-4
Request for Local Property Taxes
R.S. 54:4-75 (Forms T-1 & T-2)
Change Orders on Awarded Contracts
N.J.A.C. 6A:23-7.1
Authorizations for Advertisement of Bids
N.J.S.A. 18A:18A-21
Summary of Bids Received
N.J.S.A. 18A:18A-21
Award of Contracts Bid
N.J.S.A. 18A:18A-36,37 and *N.J.S.A.* 18A:18A-3,4,

Designation of EUS
N.J.S.A. 18A:18A-5 and N.J.S.A.18A:18A-37
Designation of Qualified Purchasing Agent
N.J.S.A.18A:18A-3
Authorization of Competitive Contracting Process
N.J.S.A. 18A:18A-4.1, 4.3, 4.4, 4.5
Payment of Emergency Contracts
N.J.S.A. 18A:18A-7
Capital Improvement Authorizations, Proposals and/or
Adoptions
N.J.S.A. 18A:22-18 and N.J.S.A. 18A:22-39
Monthly Financial Report of the Treasurer of School
Moneys (Form A-149)
N.J.S.A. 18A:17-36
Monthly Financial Report of the Secretary
(Form A-148)
N.J.S.A. 18A:17-9
Investments-Authorization, Purchase and Recording
N.J.S.A. 18A:20-37 and N.J.S.A. 18A:20-38
Reading and discussion of recommendations of the Annual
Report of Audit
N.J.S.A. 18A:23-5
Applicable Resolutions of Cancellations
Establishment of Capital Reserve Fund
N.J.S.A. 18A:7G-31
Transfers to the Capital Reserve Fund of undesignated
general fund balance or excess undesignated general fund
balance.
N.J.S.A. 18A:7G-31

Type I District Minutes

Certificates of the amount of money necessary to be appropriated for the ensuing school year as fixed and determined by official action of the board of school estimate (*N.J.S.A. 18A:22-14*).

- () 14. All vouchers, properly documented, and purchase orders should be available for inspection and review. The secretary should be certain that all paid claims have been properly approved for payment, recorded in the minutes, and that affidavits or declaration s have been completed on those exceeding one hundred and fifty dollars (*N.J.S.A. 18A:19-3*).
- () 15. A separate file including copies of all legal advertisements, such as the adopted budget, requests for bids, and resolutions awarding contracts or agreements for professional services.
- () 16. All contracts, agreements, leases, and bids received in connection with the advertising referred to above. Contracts which the school board has entered into with the State Division of Purchase and Property in the purchase of materials, supplies or equipment for the school district must be available for review by the school district auditor.
- () 17. A schedule of all insurance coverage and fidelity bond coverage in effect during the year, and the related policies or continuation certificates, and fidelity bonds.
- () 18. All employee contracts and a schedule of board approved salaries.

- () 19. An analysis of any balance in the net payroll or payroll agency account.
- () 20. Monthly and quarterly remittance returns for all payroll agencies.
- () 21. All paid and voided warrants and payroll checks, together with the bank statements on which they are listed, arranged in order by month. Certified and approved payroll registers in chronological order.
- () 22. All tuition contracts for sending/receiving between public schools, private schools for the disabled, and/or regional day schools and billings rendered on these contracts.
- () 23. The Treasurer of School Moneys should have his or her records in order and available during the course of audit.
- () 24. Board resolutions to appropriate funds to supplement an already established capital reserve account or to transfer undesignated general fund balance or excess undesignated general fund balance to the capital reserve account at any time during the budget year, per *N.J.S.A. 18A:7G-31(b)(c)*, prior to the April 2004 election as amended by the enactment of P.L. 2004, c.73 (S1701).
- () 25. Capital Project file (*N.J.A.C. 6A:26-3.10*).
- () 26. Long Range Facilities Plan (*N.J.S.A. 18A:7G-4*, *N.J.A.C. 6A:26-2.1*).
- () 27. Economic Development Authority/School Construction Corporation (EDA/SCC) grant agreement (signed).
- () 28. All contracts, including transportation agreement, leases and conveyances. Include all salary, transportation and other written contracts.
- () 29. Records, bills, orders and other supporting documentation of Athletic Association.
- () 30. The October 15, 2003 A.S.S.A. with supporting workpapers, documentation of internal procedures, school registers, applications for free and reduced meals, private school tuition contracts and student's individualized education program (IEP).
- () 31. Approved Demonstrably Effective Program Operational Plan and Early Childhood Program Operational Plan, the 2003-2004 Budget Statement Supporting Documentation Items 15 (Early Childhood Program Aid) and 16 (Demonstrably Effective Program Aid) which represent the approved plan, approved Carryover Funds forms and approved Transfer Notification Forms.
- () 32. Schedule of the amounts reimbursed by the state for the current year FICA employer contribution for its TPAF members on an accrual basis.
- () 33. Analysis for each balance sheet account balance as of June 30, 2004 (see Section I, Chapter 8, page I-8.2).
- () 34. Analysis of the miscellaneous income account including a schedule of receivables for miscellaneous income.
- () 35. Latest CEIFA- state aid printout reflecting the state aid for the 2003-2004.

- () 36. Universal Service Fund Form 470 (E-rate), Description of Services Requested and Certification and Form 471, Services Ordered and Certification. If received, Form 486, Receipt of Service Notification, and funding commitment letter, if applicable.
- () 37. The 2003-2004 District Report of Transported Resident Students (DRTRS) Eligibility Summary Report produced by the department and the 2003-2004 DRTRS Eligibility Summary Report produced by the DRTRS data collection software.
- () 38. Summary Schedule of Prior Audit Findings prepared in accordance with USOMB Circular A-133 section .315, if applicable;
 - a. Corrective Action Plan which was submitted to the county superintendent;
 - b. Copy of district certification to the county superintendent that all corrective action of prior year has been taken.
- () 39. Copies of any audit or compliance report received from oversight or regulatory agencies during the current year and copies of any dispute resolutions related to prior year issues.
- 40. Special Education Medicaid Initiative (SEMI) – refer to SEMI Provider Handbook and other correspondence from the NJ Department of the Treasury
 - () a. Parental consent forms.
 - () b. Documentation to verify that a service was provided on a specific date.
 - () c. Records to indicate that a pupil either has a current IEP that specifies the services or was referred for evaluation.
 - () d. Records which specify the practitioner providing the related service. The record should be adequate to verify that the service was provided to the pupil by a specific practitioner on a specific date.
- () 41. Copies of any district “Certifications” of a different A4F recertification amount resulting from required recertification of the 2004-05 A4F per S1701; refer to the introductory section and supplemental S1701 guidance issued.
- 42. Abbott School Districts:
 - () a. School-based budgets
 - () b. District and School – Three Year Operational Plans
 - () c. Additional Abbott v. Burke State aid funding documents (approval letter)
 - () d. Preschool Expansion Aid award letter
 - () e. Fiscal year 2004 NCLB Consolidated Application
 - () f. E-rate – funding requests and claims for reimbursement for each of the following eligible service categories: telecommunications services, internet access and internet connections.
 - () g. Position Control Roster required by *N.J.A.C. 6A:10A-7.1(f)5v*.

Items required for GASB 34 financial reporting

- () 1. Capital asset schedules, including the following detail:
- a. Date placed in service.
 - b. Cost/basis.
 - c. Beginning of the year balance - accumulated depreciation.
 - d. Current year depreciation.
 - e. Ending balance - accumulated depreciation.
 - f. Classification of the asset. (e.g., land, building, equipment)
 - g. Method of depreciation. (e.g., straight line)
 - h. Useful life of each asset used in computing the depreciation. LEAs may refer to the standard useful life table on the following page for guidance on useful life of each asset. LEAs are not required to utilize the standard useful lives suggested but should develop a policy appropriate for the district use.
 “This chart originally appeared in the book GASB Statement No. 34 Implementation Recommendations for School Districts and is reprinted with permission of the Association of School Business Officials International: www.asbointl.org”.
 - i. Identification by program.
- If the asset is specifically identifiable to a program (see the lines used in the Statement of activities), then that program should be noted and depreciation should be charged to that program. If not, there should be an indication that it is not specifically identifiable. The assets should be in one of two categories based on how the each asset is used - 1) governmental fund or 2) business like activity (enterprise fund).
- () 2. Schedule of long-term liabilities for the following each category of debt – bonds, capital leases, compensated absences, other – (specify)
- a. Beginning of year balance
 - b. Additions
 - c. Reductions
 - d. End of year balance
 - e. Amount due within one year
- () 3. Schedule identifying debt balances (e.g. bonds, capital leases) related to capital leases to support the calculation of net assets, net related debt as of June 30, 2004. Schedule should indicate the amount of unspent proceeds.
- () 4. Schedule of interest accrued on long-term debt. (bond documents to support the calculation of interest accrued to June 30)
- () 5. Trust documents (trust instruments or letter specifying restrictions) which support classification as either a permanent trust or private purpose trusts (e.g. scholarships)
- () 6. Worksheet calculation for converting from governmental fund balances to net assets

Figure 4.1		
Asset Class	Examples	Est. Useful Life in Years
Land		N/A
Site Improvements	Paving flagpoles, retaining walls, sidewalk, fencing, outdoor lighting	20
School Buildings		50
Portable Classrooms		25
HVAC Systems	Heating, ventilation, and air-conditioning system	20
Roofing		20
Interior Construction		25
Carpet Replacement		7
Electrical/Plumbing		30
Sprinkler/Fire System	Fire suppression systems	25
Outdoor Equipment	Playground, radio towers, fuel tanks, pumps	20
Machinery & Tools	Shop & maintenance equipments, tools	15
Kitchen Equipment	Appliances	15
Custodial Equipment	Floor scrubbers, vacuums, etc	15
Science & Engineering	Lab equipment, scientific apparatus	10
Furniture & Accessories	Classroom and office furniture	20
Business Machines	Fax, duplicating & printing equipment	10
Copiers		5
Communications Equipments	Mobile, portable radios, non-computerized	10
Computer Hardware	PCs, printers, network hardware	5
Computer Software	Instructional, other short-term	5 to 10
Computer Software	Administrative or long term	10 to 20
Audio Visual Equipment	Projectors, cameras (still & digital)	10
Athletics Equipment	Gymnastics, football, weight machines, wrestling mats	10
Musical Instruments	Pianos, string, Bass, percussion	10
Library Books	Collections	5 to 7
Licensed Vehicles	Buses, other on-road vehicles	8
Contractors Equipment	Major off-road vehicles, front-end loaders, large tractors, mobile air compressor	10
Grounds Equipment	Mowers, tractors, attachments	15

“This chart originally appeared in the book GASB Statement No. 34 Implementation Recommendations for School Districts and is reprinted with permission of the Association of School Business Officials International: www.asbointl.org”.

**CHECKLIST FOR ANNUAL AUDIT
STUDENT ACTIVITY FUND**

(NAME OF SCHOOL)

SCHOOL YEAR 2003-2004

- () 1. Monthly bank reconciliations of all checking accounts:
 - a. Bank statements for 13 months, including related canceled checks returned by the bank and duplicate deposit slips for the period July 1, 2003 through July 31, 2004.
- () 2. Cash Receipts and Cash Disbursements Journal.
- () 3. General Ledger of School Accounts.
- () 4. Paid and unpaid Invoices and Payment Forms covering School Year.
- () 5. Savings Account Pass Books or Certificates, including interest credited to June 30.
- () 6. Petty Cash Fund (including unreimbursed invoices) and School Change Fund, if applicable.
- () 7. Prenumbered receipts for the period July 1, 2003 through July 31, 2004.
- () 8. Copy of Annual Cumulative Report of Cash Receipts, Cash Disbursements and Balances at June 30, including completion of bank reconciliation at June 30, 2004.
- () 9. Records, bills, orders and other supporting documentation of the Student Activity Accounts.
- () 10. All entries in the Student Activity Account records must be up-to-date and records must be balanced.
- () 11. Copies of board resolutions approving each fund.
- () 12. Schedule of accounts receivable and accounts payable.

**CHECKLIST FOR ANNUAL AUDIT
FOOD SERVICE FUND**

(NAME OF SCHOOL)

SCHOOL YEAR 2003-2004

- () 1. Monthly bank reconciliations of all checking accounts.
 - a. Bank statements for 13 months, including related canceled checks, returned by the bank and duplicate deposit slips for the period July 1, 2003 through July 31, 2004.
- () 2. Cash Receipts and Cash Disbursements Journal.
- () 3. General Ledger.
- () 4. Paid invoices and unpaid invoices applicable to the school year.
- () 5. Savings Account Pass Books or Certificates, including interest credited to June 30.
- () 6. Petty cash fund (including unreimbursed invoices) and School Change Fund, if applicable.
- () 7. Prenumbered receipts or billings for the period July 1, 2003 through July 31, 2004 for special affairs.
- () 8. Daily cash register tapes, properly identified, and daily cashier reports, indicating reconciliation to deposit.
- () 9. Reimbursement vouchers filed and schedule of claims receivable as of June 30.
- () 10. Copies of advertisements for bids, and copies of such bids awarded.
- () 11. Schedule of any receivables or payables as of June 30.
- () 12. Schedule of closing inventory of food and supplies.
- () 13. Copy of Annual Cafeteria Managers' Report of Operation for the school year.
- () 14. Agreement for School Nutrition Programs dated, signed by authorized representative and approved by New Jersey State Department of Education/Agriculture Officials.
- () 15. Eligibility documents for free and reduced price meals.
- () 16. Meal count records, Edit Check Worksheets and or daily summary sheets of number and type of meals served.
- () 17. Food Service Management Company contract (if applicable).
- () 18. Paid invoices to Food Service Management Company with fully itemized and verified bills (if applicable).

- () 19. Records, bills, orders and supporting documentation of the Food Service Fund.
- () 20. All entries in the Food Service Fund records must be up-to-date and records must be balanced.
- () 21. Food Service Management Company SAS #70/#88 report (if applicable).

A U D I T Q U E S T I O N N A I R E 2003-2004
(To Be Completed by the Public School Auditor)

SCHOOL DISTRICT _____ COUNTY _____

The Audit Questionnaire is a checklist of items specific to New Jersey school districts which auditors should include as part of the audit workpapers to support the auditor's opinion on the district's compliance with laws and regulations. This checklist should be signed by the auditor and kept with the auditor's workpapers and available to the department upon request. Auditors of Abbott school districts are requested to send the Audit Questionnaire with the CAFR and Auditor's Management Report to the Department (see Section III-1 of the Audit Program).

Irregularities shown by answers given to questions must be covered by a comment and recommendation in the Auditor's Management Report.

1. Was the school district able to demonstrate an accounting system that was maintained in accordance with Governmental GAAP and the State prescribed publication entitled GAAP for New Jersey School Districts, A Technical Systems Manual?

Yes _____ No _____

2. Were copies of the following reports completed and available for examination?

Yes No Not
Applicable

Treasurer's Monthly Financial Statements.
(N.J.S.A. 18A:17-36) (Form A-149)

Secretary's Monthly Financial Report filed on a monthly basis.
(N.J.S.A. 18A:17-9a) (Form A-148)

Was the year-end report (June 30, 2004 A-148) prepared by the secretary, passed by board resolution and reflected in the minutes of the Board of Education at the July meeting?

T.P.A.F. Reimbursement for June 30 – **should be submitted to NJDOE by September 30. (N.J.S.A.18A:66-90)**

Vocational Education.

3. Were the following Cash Reconciliations prepared monthly? If no, explain.

Monthly

Yes No N/A

General Operating Fund

Capital Projects Fund

Food Service Fund

Yes No N/A

Net Salary Account	_____	_____	_____
Payroll Agency Account	_____	_____	_____
Athletic Fund	_____	_____	_____
Trust Funds	_____	_____	_____
Permanent Fund	_____	_____	_____
Student Activity Accounts	_____	_____	_____
Bond and Coupon Account	_____	_____	_____

4. (A) Was the following information verified utilizing the bookkeeping records, maintained in accordance with Governmental GAAP?

Yes No N/A

Tuition Billings	_____	_____	_____
Tuition Accounts Receivable	_____	_____	_____
Rental Billings	_____	_____	_____
Rental Revenue Accounts Receivable	_____	_____	_____
Miscellaneous Revenue	_____	_____	_____
Miscellaneous Revenue Accounts Receivable	_____	_____	_____
Accounts Payable (including liabilities due to grantor agencies)	_____	_____	_____
Outstanding Purchase Orders	_____	_____	_____
Analysis of Net Payroll Account Balances	_____	_____	_____
Analysis of Payroll Agency Account Balances	_____	_____	_____

- (B) Were the Board Secretary/Business Administrator audit checklists (Operating Fund, Student Activity Fund and Food Service Fund) completed by the Board Secretary/Business Administrator and were the records ready for audit? Yes _____ No _____

5. Were the following revenue verification notices on hand for examination?

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
Restricted State Aid (SA1NET)	_____	_____	_____
Debt Service Aid (SA17a, SA17b)	_____	_____	_____
Nonpublic School State Aid	_____	_____	_____
Vocational Education	_____	_____	_____
E.S.E.A./NCLB Funds (List by Funds)			
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
Other: _____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

6. Were certifications obtained by the auditor from the Municipal Treasurer(s) for the date and amount of payments of installments of the Local Tax Levy?

Yes _____ No _____ N/A _____

7. (A) Were the minutes properly signed?

Yes _____ No _____

B) Are pre-numbered pages and/or marginal notes used in the maintenance of the minutes?

Yes _____ No _____

(C) In connection with Board action, were the following subject matters recorded in the minutes?

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
Full spread of the adopted detailed budget			
N.J.S.A. 18A:22-8	_____	_____	_____
Full detail of Budget Transfers			
N.J.S.A. 18A:22-8.1	_____	_____	_____
Organization Meeting			
N.J.S.A. 18A:10-5	_____	_____	_____
Establishment of Petty Cash Fund			
N.J.S.A. 18A:19-13, N.J.A.C. 6:23-2A.9	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
Official Depositories N.J.S.A. 18A:17-34	_____	_____	_____
Official Newspaper Designated N.J.S.A. 18A:18A-21	_____	_____	_____
Bill or Voucher List N.J.S.A. 18A:19-4	_____	_____	_____
Request for Local Property Taxes <u>R.S.</u> 54:4-75	_____	_____	_____
Change Orders on Awarded Contracts N.J.A.C. 6A:23-7.1	_____	_____	_____
Authorizations for Advertisement of Bids N.J.S.A. 18A:18A-21	_____	_____	_____
Summary of Bids Received N.J.S.A. 18A:18A-21	_____	_____	_____
Award of Contracts Bid N.J.S.A. 18A:18A-36,37 and N.J.S.A.18A:18A-3,4,	_____	_____	_____
Designation of EUS N.J.S.A. 18A:18A-5 and N.J.S.A.18A:18A-37	_____	_____	_____
Designation of Qualified Purchasing Agent N.J.S.A.18A:18A-3	_____	_____	_____
Authorization of Competitive Contracting Process N.J.S.A. 18A:18A-4.1, 4.3, 4.4, 4.5	_____	_____	_____
Payment of Emergency Contracts N.J.S.A. 18A:18A-7	_____	_____	_____
Capital Improvement Authorizations, Proposals and/or Adoptions N.J.S.A. 18A:22-18 and N.J.S.A. 18A:22-39	_____	_____	_____
Monthly Financial Report of the Treasurer of School Moneys (Form A-149) N.J.S.A. 18A:17-36	_____	_____	_____
Monthly Financial Report of the Secretary (Form A-148) N.J.S.A. 18A:17-9	_____	_____	_____
Investments-Authorization, Purchase and Recording N.J.S.A. 18A:20-37 and N.J.S.A. 18A:20-38	_____	_____	_____
Reading and discussion of recommendations of the Annual Report of Audit N.J.S.A. 18A:23-5	_____	_____	_____
Applicable Resolutions of Cancellations Establishment of Capital Reserve Fund N.J.S.A.18A:7G-31	_____	_____	_____
Transfers to the Capital Reserve Fund of undesignated general fund balance or excess undesignated general fund balance. N.J.S.A. 18A:7G-31	_____	_____	_____
Auditor engagement – acknowledgment of peer review report N.J.A.C. 6A:23-2.2(i)3	_____	_____	_____

8. Type I District Minutes.

- (A) Did the board of school estimate fix and determine by official action the amount of money necessary to be appropriated for the ensuing school year? Yes _____ No _____

(B) Were certificates of such amounts delivered to the board and to the governing body of the district per N.J.S.A. 18A:22-14? Yes_____ No_____

9. (A) Are records maintained in conformance with requirements prescribed by the state board of education per N.J.A.C. 6A:23-2.1? Yes_____ No_____

(B) If an electronic data processing bookkeeping service company is used, is an audit of the internal controls of the service company on file per N.J.A.C. 6A:23-2.7? Yes_____ No_____

10. (A) Condition of Records: Comment on needed improvements in the Auditor's Management Report.

	<u>Satisfactory</u>	<u>Unsatisfactory</u>
Treasurer-General	_____	_____
Secretary-General	_____	_____
Food Service	_____	_____
Payroll	_____	_____
Athletic Funds	_____	_____
Student Activity Funds	_____	_____
Bond and Coupon	_____	_____
Other:		
_____	_____	_____
_____	_____	_____
_____	_____	_____

(B) Are the Treasurer's records maintained independently of the Board Secretary's? Yes_____ No_____

(C) Were records of the Treasurer and Board Secretary reconciled on a monthly basis? Yes_____ No_____

(D) In your opinion, are the books and records of any official in such unsatisfactory condition that comment and recommendation is made in the Auditor's Management Report? Yes _____ No _____ N/A_____

If answer is "yes", specify the officials referred to _____

11. (A) Were all payrolls approved by the Superintendent and certified by the Secretary and President of the Board prior to issuance of salary checks? Yes_____ No_____

(B) Were bank deposits to Payroll Salary and Agency accounts detailed as to sources of Appropriations, Special Funds, Refund or Other Sources? Yes_____ No_____

- (C) Where outside services (computer services, etc.) are utilized, are the records adequate and do they leave an "audit trail?" Yes_____ No_____
12. (A) Is there a requisition system operative in the district? Yes_____ No_____
- (B) Is there a sequential purchase order system operative in the district? Yes_____ No_____
- (C) Are purchase orders numerically recorded in a central register? Yes_____ No_____
- (D) Is an encumbrance system utilized in accordance with Governmental GAAP?
13. (A) Are there credit cards utilized by board members and employees? Yes_____ No_____
- If answer is "yes", a comment and recommendation is required.
14. (A) Are tuition contracts available for sending/receiving between public schools, private schools for the disabled and/or regional day schools using the state prescribed contract form? Yes_____ No_____
- (B) Are billings being rendered according to the terms of the state prescribed contract forms? Yes_____ No_____
15. Were the monthly certifications of line-item appropriations and fund status filed in accordance with *N.J.A.C.* 6A:23-2.11 and Division of Finance Policy Bulletin 200-11? Yes_____ No_____
- (If no, appropriate comments and recommendations must be included in the annual audit report)
16. Has the Board's Records Custodian adopted and made available to the public a Records Request Form (N.J.S.A. 47:1A-5(f)) (OPRA) Yes_____ No_____
17. Has the statement of rights of appeal been posted pursuant to N.J.S.A. 47:1A-5(j)? (OPRA) Yes ____ No _____
18. Expenditure Classification Test Results Summary
- | | |
|------------------------------|---------|
| Dollar Value of Items Tested | \$_____ |
| Dollar Value of Errors Noted | \$_____ |
| Dollar Value Error Rate | _____ % |
| Total Expenditures* | \$_____ |
- *General Fund and Special Revenue Fund excluding on-behalf payments for TPAF (pension and FICA).
20. Is the district appropriately assisting the State in maximizing federal participation pursuant to section 7 of P.L. 1968, c.413 (C.30:4D-7) (SEMI Medicaid Program)? Consider the following:
- a. Has the district appointed a SEMI Coordinator? Yes ____ No _____
- b. Has the district applied for participation in the SEMI program with the Department of Education, Medicaid and DMG-MAXIMUS? Yes _____ No _____
- c. Do the IEPs identify services which are eligible for reimbursement under the SEMI program? Yes _____ No _____
- d. Does the district have a process for identifying new students eligible for the SEMI program? Yes _____ No _____

- e. Does the district have a process for acquiring parental consent for students eligible for the SEMI program?
Yes _____ No _____
- f. Does the district have a process for documenting expenditures eligible for reimbursement under the SEMI program?
Yes _____ No _____
- g. Has the district been submitting Turnaround Documents for reimbursement on a monthly basis?
Yes _____ No _____
20. Has the district maintained supporting documentation for claims made for the SEMI or the Medicaid Administrative Claiming programs?
- a. Are reevaluations of the students in the SEMI program performed at least annually?
Yes _____ No _____
- b. Are parental consent forms available in the student file?
Yes _____ No _____
- c. Are IEPs available for claims made under the SEMI program?
Yes _____ No _____

21. Has the district complied with the requirements of P.L. 2004, c73 (S1701)? Consider the following:
- a. Has the district recertified their 2004-05 A4F based on 3% surplus? Yes _____ No _____
- b. Has the district prepared a "Certification" only for 2003-04 T&E need or unrealized revenue?
Yes _____ No _____
- c. If the district transferred surplus to a capital reserve or a maintenance reserve post April 2004 election, was that transfer reversed; and if not; was it appropriated by June 30 for T&E need or encumbered by June 30 for a health and safety project?
Yes _____ No _____
- d. Has the district appropriated general fund balance post April 2004 election only when no other line item balances were available and it was for a 2003-04 T&E need?
Yes _____ No _____

QUESTIONS 22 THROUGH 33 ARE APPLICABLE ONLY TO ABBOTT SCHOOL DISTRICTS

22. Were the school-based budgets available for all schools within the district which have implemented whole school reform?
Yes _____ No _____
23. Were the District and School-Three Year Operational Plans available for each whole school reform school?
Yes _____ No _____
24. Were the Additional Abbott v. Burke state aid funding documents available? Yes _____ No _____
25. Was the district budget revised to reflect the approval of additional Abbott v. Burke state aid?
Yes _____ No _____
26. Did the district obtain approval to operate a Title I Schoolwide Program in each of its first, second, mid-year second, third and mid-year third cohort schools?
Yes _____ No _____
27. Did the school district participate in the following cost savings programs in 2003-04?
- a. Alliance for Competitive Energy Services (ACES) Yes _____ No _____
If no, why didn't the school district participate in this cost saving program in 2003-04? _____

- b. Alliance for Competitive Telecommunications (ACT) Yes _____ No _____
If no, why didn't the school district participate in this cost saving program in 2003-04? _____

- c. New Jersey School Boards Association Insurance Group Yes _____ No _____
If no, why didn't the school district participate in this cost saving program in 2003-04? _____

 d. New Jersey State Health Benefits Plan Yes____ No____
 If no, why didn't the school district participate in this cost saving program in 2003-04?____

28. Is the school district current in submitting all claims for reimbursable costs under the Federal E-rate program (the Schools and Libraries Universal Support Mechanism) for encouraging the use of the internet?

Yes____ No____

29. Has the school district applied for the maximum amount of Federal E-rate program funds in each of the following areas:

a. Telecommunications Services Yes____ No____
 b. Internet Access Yes____ No____
 c. Internet Connections Yes____ No____

30. Does the school district have a current Position Control Roster as required by *N.J.A.C* 6A:10A-7.1(f)5v?

Yes____ No____

31. Did the school district enroll in the following cost savings programs for 2004-05 by September 1, 2004?

a. Alliance for Competitive Energy Services (ACES) Yes____ No____
 If no, why didn't the school district enroll in this cost savings program by September 1, 2004 for the 2004-05 school year?____

b. Alliance for Competitive Telecommunications (ACT) Yes____ No____
 If no, why didn't the school district enroll in this cost savings program by September 1, 2004 for the 2004-05 school year?____

c. New Jersey School Boards Association Insurance Group Yes____ No____
 If no, why didn't the school district enroll in this cost savings program by September 1, 2004 for the 2004-05 school year?____

d. New Jersey State Health Benefits Plan Yes____ No____
 If no, why didn't the school district enroll in this cost savings program by September 1, 2004 for the 2004-05 school year?____

32. Did the school district incur late fees or penalties on the cash disbursement items tested during the review of internal controls and the application of standard testing methods, or during compliance testing and the performance of single audit procedures? Yes____ No____

If yes, how much interest was paid by the school district? _____

If yes, how much were the penalties paid by the school district? _____

33. Is the school district taking full advantage of allowable discounts for prompt payment?

Yes____ No____

If no, provide the amount of allowable discounts that were forfeited by the school district on items tested during the audit. _____

SECTION III – REPORTING
CHAPTER 7 – SYNOPSIS AND CORRECTIVE ACTION PLAN

Synopsis and Hearing of Audit

***N.J.S.A. 18A:23-3* states in part that "The Commissioner annually shall publish a summary of such recommendations as made for each school district and the steps which have been taken in each district for their implementation."**

***N.J.S.A. 18A:23-4* states "The secretary of the board shall prepare or have prepared a synopsis or summary of the annual audit and recommendations, prior to the holding of the meeting of the board of education to take action thereon; A copy of which synopsis or summary shall be available for distribution to interested parties at the meeting."**

In order to comply with the above requirements, it is requested that the Secretary of the Board prepare the audit synopsis under the following format:

GASB 34 Model

- a. Governmental Funds Balance Sheet (Exhibit B-1).
- b. Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance (Exhibit B-2).
- c. Reflect each audit recommendation under the applicable heading listed below:
 1. Administrative Practices & Procedures
 2. Financial Planning, Accounting & Reporting
 3. School Purchasing Programs
 4. School Food Service
 5. Student Body Activities
 6. Application for State School Aid
 7. Pupil Transportation
 8. Facilities and capital assets
 9. Miscellaneous
 10. Follow-up on prior year findings
- d. A copy of the minutes of the board meeting at which the audit recommendations were read and discussed must be filed with the county superintendent of schools together with the synopsis within 30 days following the meeting at which the audit was discussed. **Specific board action and disposition of each audit recommendation must be duly noted in the minutes of the board. A general statement of the Board's acceptance of the audit and recommendations is NOT in compliance. In addition, the minutes must address the corrective actions voted by the board and a completed Corrective Action Plan must be included with the synopsis.**

The copy of the minutes, synopsis and corrective action plan will be filed with the State Department of Education by the county office after they have been reviewed for accuracy and completeness. Please See the following page for a sample Corrective Action Plan.

The school business administrator must submit a certification (see sample format at end of this chapter or a statement on district letterhead will be accepted) when all corrective actions have been fully implemented, but no later than June 30th of the subsequent fiscal year. The certification letter is to be submitted to the Single/Grants Audit Unit, Office of Compliance Investigation, PO Box 500, Trenton, NJ 08625-0500.

CORRECTIVE ACTION PLAN

NAME OF SCHOOL _____ COUNTY _____

TYPE OF AUDIT _____

DATE OF BOARD MEETING _____

CONTACT PERSON _____

TELEPHONE NUMBER _____

RECOMMENDATION NUMBER	CORRECTION ACTION APPROVED BY THE BOARD	METHOD OF IMPLEMENTATION	PERSON RESPONSIBLE FOR IMPLEMENTATION
--------------------------	--	-----------------------------	--

CHIEF SCHOOL ADMINISTRATOR

DATE

BOARD SECRETARY/SCHOOL BUSINESS
ADMINISTRATOR

[SAMPLE] CERTIFICATION OF IMPLEMENTATION OF CORRECTIVE ACTION PLAN

For the Fiscal Year ended June 30, 2003

Name of School District _____
County _____

I hereby certify that all corrective actions listed on the district's Corrective Action Plan for the fiscal year indicated above have been fully implemented with the following exceptions:

CAP
Recommendation
Number

_____ [Comments] _____
_____ [Comments] _____

Board Secretary/Business Administrator Date

Chief School Administrator Date

Submit by June 30, 2004 to:

NJ Department of Education
Single/Grants Audit Unit
Office of Compliance Investigation
PO Box 500
Trenton, NJ 08625-0500

SECTION III – REPORTING
CHAPTER 8 –QUALITY ASSESSMENT REVIEW CHECKLIST

A Quality Assessment (Control) Review will be performed at the state level on each audit. The auditor should familiarize himself/herself with the following Quality Assessment (Control) Review form. The auditor's review of this form should ensure that the audit contains sufficient information to answer the questions contained in the review, as well as eliminate time consuming correspondence with the Single/ Grants Audit Unit personnel in assuring compliance with Federal and State audit requirements.

QUALITY ASSESSMENT REVIEW

Local Educational Agency _____

County _____

Audit Period _____ Date of Report _____

Date Report Received _____

Auditor Name _____ Audit Firm _____

Reviewed By _____ Date _____

Summary of Quality Assessment Review

In my opinion, the CAFR is:

- ☐ Acceptable, and requires no or only minor corrections.
☐ Substandard, and requires one or more major changes.

Comments: _____

I. Qualifications and Independence of Auditor

- | | | | |
|----|--|-----------|----------|
| 1. | Is the audit performed by a certified public accountant?
(If the answer is "Yes", mark 2. "No".) | Yes _____ | No _____ |
| 2. | Is the audit performed by a licensed public accountant?
(If the answer is "Yes", contact the State Board of Accountancy at 1-973-504-6463 to ascertain if licensed as both a public accountant and a public school accountant.) | Yes _____ | No _____ |

3. Is the audit report free of indications that the auditor is not independent? If not, follow up to determine if independence was impaired in appearance or in fact. Yes _____ No _____
4. Does the auditor have an external quality control review on file with the department? Yes _____ No _____

II. Financial Statements

The format of the CAFR should conform to the publication, Financial Accounting for New Jersey School Districts - The Audit Program (including the "Abbott Addendum" if applicable), and should strictly adhere to the prescribed sectioning of the report and numbering of exhibits as shown on pages **xiii to xv** of The Audit Program or pages 9 to 11 of the "Abbott Addendum" if the district is an Abbott school district. If a section or exhibit is not applicable to the school district, the notation "N/A" should be indicated against that item in the Table of Contents. Exhibit numbers for any additional statements required under the circumstances should be assigned using the next available exhibit number within that series of statements/schedules.

1. Has the district implemented **GASB 34** for the fiscal year ending June 30, 2004? Yes____ No____
If "No", is audit opinion qualified? Yes____ No____

- 1a. Is a complete table of contents as reflected in The Audit Program or the "Abbott Addendum" (if appropriate) included? Yes____ No____

If "No", describe deficiencies:

2. Are sections properly designated? Yes____ No____
(If "No", make corrections in the CAFR and describe below.)

3. Are exhibits properly numbered? Yes____ No____
(If "No", make corrections in the CAFR and describe below.)

4. Are all statements and schedules reflected in The Audit Program as applicable below either included in the CAFR or designated "N/A" in the table of contents, pages xiii through xv?

Yes____ No____ N/A____

Abbott school district, pages 9 to 11 of the "Abbott Addendum"

Yes____ No____ N/A____

If answer is "No", list all omitted financial statements not designated as "N/A" in the table of contents. If additional space is needed, attach additional sheets.

5. Do the fund types used in the financial statements conform to those described in GASB §1300.103?

Yes____ No____ N/A____

- 6a. Does the information presented in the combining statements in Other Supplementary Information agree to the applicable funds statements or budget to GAAP reconciliation?

Yes____ No____ N/A____

- 6b. Does the statement of net assets include a balance for capital assets, net of accumulated depreciation?

Yes____ No____ N/A____

- 6c. Does the statement of net assets include two lines for Noncurrent liabilities – Due within one year and Due in more than one year?

Yes____ No____ N/A____

7. Have the basic financial statements, required supplementary information and other supplementary information been prepared in the format of the CAFR Outline for the GASB 34 Model?

Yes____ No____ N/A____

8. Does the CAFR reflect the proper presentation of fund balance as reserved, designated, and unreserved in the funds statements?

Yes____ No____

- (a) Have unspent appropriations/balances from capital outlay spending growth limitation adjustments and additional spending proposals been classified as reserved fund balance - legally restricted appropriations?

Yes____ No____ N/A____

- (b) Have capital reserve funds been classified as reserved fund balance - capital reserve?

Yes____ No____ N/A____

- (c) If there is an ECPA capital reserve fund balance classified as reserved fund balance in the Special Revenue Fund, is there a DOE approved lease agreement disclosed in the Capital Reserve Account Note to the financial statements?

Yes____ No____ N/A____

- (d) Has unreserved fund balance included in the upcoming year's budget as budgeted fund balance been classified as unreserved-designated for subsequent year's expenditure?

Yes____ No____ N/A____

- (e) Have amounts calculated (generated in the current year) in accordance with N.J.S.A. 18A:7F-7 amended by P.L. 2004-, c.73 (S1701) been reported as Reserved Fund Balance - Excess Surplus? [Audsum line 10024] Yes____ No____ N/A____
- (f) Has excess surplus generated in the prior year been reported as Reserved and Designated for Subsequent Year's Expenditures in the current year? [Audsum line 10025] Yes____ No____ N/A____
- (g) Are the amounts utilized for the excess surplus calculation accurate? (Trace amounts to financial statements and recalculate. Determine that the correct percentage was used.) If not, a note to the auditor must be included in the QAR letter. Yes____ No____
- Is the amount for Impact Aid Adjustment no more than the amount received for the current year as reported in the schedule of expenditure of federal awards? Yes____ No____
- If no, a note to the auditor must be included in the QAR letter.
- (h) If this is an Abbott school district receiving additional Abbott v. Burke state aid in 2003-04 or DEOA in 2004-05, was the excess surplus calculation included in the Audit Questionnaire performed using the 2% calculation?" Yes____ No____ N/A____
- (i) Have Adult Ed fund balances been classified as reserved-Adult Ed? Yes____ No____ N/A____
- (j) Are reserves related to insurance policies for other than incurred but not reported claims classified as unreserved fund balance? Yes____ No____ N/A____
- (k) Are all other reported "reserves" and "designations" appropriate? Yes____ No____ N/A____
- (k) Have the appropriate disclosures related to the components of fund balance been made in the notes to the financial statements? Yes____ No____
9. Are all interfund transfers reflected in the CAFR in accordance with statute and properly reported in accordance with GASB §1800.102-105) Yes____ No____ N/A____
10. Do the Budgetary Comparison Schedules reflect overexpenditures of line accounts in violation of N.J.A.C. 6A:23-2.11? Yes____ No____
- Is a comment and recommendation regarding overexpenditures included in the Auditor's Management Report? If not, a note to the auditor must be included in the QAR letter. Yes____ No____ N/A____
11. If the district is self-insured for workmen's compensation, have they properly accounted for the activity in accordance with GASB 10 and 17? (Self-insured workmen's compensation plans should be accounted for in either the general fund or an internal service fund when there is no transfer of risk) Yes____ No____ N/A____
- 11a If the district uses the reimbursement method (payment in lieu of contributions) for unemployment compensation, has the information been presented in the fiduciary fund statements? Yes____ No____ N/A____

12. Does the *Statement of Net Assets* report Net Assets in three components - Invested in capital assets, net of related debt; restricted (distinguishing between major categories of restrictions); and unrestricted (GASB 34, ¶477)? If no, answer (a) below.
- Yes____ No____

(a) Does the independent auditor's report contain the associated qualification of opinion?

Yes____ No____

13. Does the district have an outstanding lease purchase agreement? (Reference Section II-30 in The Audit Program.)
- Yes____ No____

If "Yes", does the audit report comply with Section II-30 on recording a capital lease for the following areas:

(a) Does the *Statement of Net Assets* present the liabilities that mature within one year separately from the noncurrent liabilities? (GASB §2200.116)

Yes____ No____ N/A____

(b) Submission of Amortization Schedule, Section I?

Yes____ No____ N/A____

(c) Include in the Notes to the Financial Statements a reference and general description of the lease purchase agreement including but not limited to:

i. Description?

Yes____ No____ N/A____

ii. Five years of projected payments?

Yes____ No____ N/A____

iii. Do the notes to the financial statement disclose the future minimum payments for each of the five subsequent years and in five-year increments thereafter for their obligations under capital and noncancelable operating leases? (GASB 38 ¶10)

Yes____ No____ N/A____

14. Did the district refinance an outstanding lease purchase agreement? (Reference Section II-30 in The Audit Program.)
- Yes____ No____

If "Yes", does the audit report comply with Section II-30 on recording the refinancing of a capital lease for the following areas:

(a) Include in the Notes to the Financial Statements a reference to the savings as a result of the refinancing including but not limited to:

i. The total reduction in payments as a dollar amount as a result of the refinancing?

Yes____ No____ N/A____

ii. The net present value cost savings as a dollar amount as a result of the refinancing?

Yes____ No____ N/A____

iii. The net present value cost savings as a percentage as a result of the refinancing?

Yes____ No____ N/A____

15. Did the district defease a lease purchase agreement during the school year? (Reference Section II-30 in The Audit Program.)
- Yes____ No____

If "Yes", does the audit report comply with Section II-30 on recording the defeasance of a capital lease for the following areas:

- (a) Include in the Notes to the Financial Statements a reference to the savings from the defeasance including but not limited to:
- i. The total reduction in payments as a dollar amount as a result of the defeasance? Yes____ No____ N/A____
 - ii. The net present value cost savings as a dollar amount as a result of the defeasance? Yes____ No____ N/A____
 - iii. The net present value cost savings as a percentage as a result of the defeasance? Yes____ No____ N/A____
- 16 Does the *Statement of Net Assets* report the portion of compensated absences which matures within one year separately from the long-term portion? (GASB §2200.116) Yes____ No____ N/A____
17. Do the notes to the financial statements include: (GASB §2300)
- (a) A summary of significant accounting policies that includes:
 - i. An identification of the component units combined to form the reporting entity and the key criteria considered? (GASB §2600.119) Yes____ No____
 - ii. The basis of accounting including revenue recognition policies? Yes____ No____
 - (b) Interfund receivables and payables? Yes____ No____ N/A____
 - (c) Excess of expenditures over appropriations in individual funds? Yes____ No____ N/A____
 - (d) Deficit fund balances or retained earnings of individual funds? Yes____ No____ N/A____
 - i. Is the amount of the deficit due to the last state aid payment stated? Yes____ No____ N/A____
 - (f) Material violations of finance-related legal and contractual provisions? (GASB §1200.112) Yes____ No____ N/A____
 - (g) Do the notes to the financial statements for capital assets and noncurrent liabilities agree to the *Statement of Net Assets*? (GASB §2300.111) Yes____ No____ N/A____

III. Reporting

18. Does the Independent Auditor's Report contain the following items:
- (a) A title that includes the word independent? Yes____ No____
 - (b) A statement that the financial statements of the governmental activities, the business-type activities, and each major fund, which collectively comprise the district's basic financial statements as listed in the table of contents were audited? Yes____ No____
 - (c) A statement that the financial statements are the responsibility of management and that the auditor's responsibility is to express opinions on these financial statements based on his audit? Yes____ No____

- (d) A statement that the audit was conducted in accordance with generally accepted auditing standards (GAGAS), *Government Auditing Standards* issued by the Comptroller General of the United States and audit requirements prescribed by the Division of Finance, Department of Education, State of New Jersey? Yes____ No____
- (e) A statement that generally accepted auditing standards require that the auditor plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement? Yes____ No____
- (f) A statement that the audit includes:
- i. Examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements? Yes____ No____
 - ii. Assessing the accounting principles used and significant estimates made by management? Yes____ No____
 - iii. Evaluating the overall financial statement presentations? Yes____ No____
- (g) A statement that the auditor believes that his audit provides a reasonable basis for his opinion? Yes____ No____
- (h) An opinion as to whether the financial statements present fairly, in all material respects the respective financial position of the governmental activities, the business-type activities, and each major fund as of the balance sheet date and the respective changes in financial position and cash flows, where applicable, for the period then ended in conformity with accounting principles generally accepted in the United States of America?
Briefly describe any qualifications:

- (i) Identification of the accompanying required supplementary information, such as management's discussion and analysis and budgetary comparison schedules accompanying the financial statements and that limited procedures were applied? Yes____ No____ N/A____
- (j) Identification of additional information accompanying the financial statements [relevant combining schedules] that have been subjected to the auditing procedures applied in the audit of the basic financial statements? Yes____ No____ N/A____
- (k) Identification of additional supplementary information [such as the introductory section and statistical tables] that has not been subjected to the auditing procedures? Yes____ No____ N/A____

- (l) An opinion as to whether the schedule of expenditures of federal awards and/or schedule of expenditures of state financial assistance is (are) fairly stated in all material respects in relation to the basic financial statements taken as a whole or a disclaimer of opinion? Briefly describe any qualifications: Yes____ No____ N/A____

- (m) An opinion as to whether the combining statements and schedules are fairly stated in all material respects in relation to the basic financial statements taken as a whole or a disclaimer of opinion? Briefly describe any qualifications: Yes____ No____

- (n) Identification that the introductory section and statistical tables was not audited? Yes____ No____
- (o) The signature of the public accountant who performed the audit? Yes____ No____
(The audit report must be signed by the individual making the audit or in charge of the audit and not by the firm or corporation, which employs the auditor.)
- (p) The date of the audit report? Yes____ No____
19. (a) Have the schedules of expenditures of federal awards and expenditures of state financial assistance been prepared as prescribed by The Audit Program in Section II-SA? Yes____ No____ N/A____

If "No", describe deficiencies:

- (b) Do the funds received per the schedules agree with department/state disbursement records? Yes____ No____ N/A____
- (c) Based on federal and state financial assistance expenditures, was the proper type of audit report prepared? Yes____ No____ N/A____
Total Federal Expenditures _____
Total State Expenditures _____
20. Do the Notes to the Schedules of Awards and Financial Assistance include the following:
- (a) Basis of accounting of the data? Yes____ No____
- (b) Disclosure of the nature of differences between amounts presented in the schedules and amounts reported in related reports? Yes____ No____ N/A____
- (c) Relationship of the data presented to the financial statements? Yes____ No____
- (d) Assumptions used to value noncash programs and means of calculations? Yes____ No____ N/A____

- (e) Unique matters necessary to understand the amounts presented for any individual program? Yes____ No____ N/A____
- (f) Other matters considered necessary to ensure the schedule is not misleading? Yes____ No____ N/A____
21. Are the following reports included?
- Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*? Yes____ No____ N/A____
- Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133? Yes____ No____ N/A____
22. Does the Report on Compliance and on Internal Control over Financial Reporting contain the following elements?
- (a) A statement that the auditor has audited the general-purpose financial statements and a reference to the auditor's report on the basic financial statements? Yes____ No____
- (b) A statement that the audit was conducted in accordance with generally accepted auditing standards, *Government Auditing Standards* issued by the Comptroller General of the United States and audit requirements prescribed by the Division of Finance, Department of Education, State of New Jersey? Yes____ No____
- (c) A statement that, as part of obtaining reasonable assurance about whether the basic financial statements are free of material misstatement, the auditor performed tests of compliance with certain provisions of laws, regulations, contracts, and grants? Yes____ No____
- (d) A statement that the auditor's objective was not to provide an opinion on compliance with those provisions? Yes____ No____
- (e) A statement that the results of tests performed disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards* and audit requirements prescribed by the Division of Finance, Department of Education, State of New Jersey? Yes____ No____
- (f) A statement that the results of tests performed disclosed instances of non-compliance that are required to be reported under *Government Auditing Standards* and audit requirements prescribed by the Division of Finance, Department of Education, State of New Jersey, and reference to the accompanying schedule of findings and questioned costs by finding reference number? Yes____ No____ N/A____

- (g) A statement that, in planning and performing the audit, the auditor considered the internal control over financial reporting in order to determine the auditing procedures for the purpose of expressing an opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting? Yes____ No____
- (h) Was a reportable condition noted? (if "Yes" answer (i.)-(iv.), if "No" skip to 22.(i)) Yes____ No____
- i. The definition of a reportable condition? Yes____ No____
- ii. A statement that reportable conditions are described in the accompanying schedule of findings and questioned costs and the related finding reference number? Yes____ No____
- iii. The definition of a material weakness? Yes____ No____
- iv. A statement about whether the auditor believes any of the reportable conditions described in the report are material weaknesses and, if so: Yes____ No____
1. Identifies which one(s)? Yes____ No____ N/A____
- (i) If no reportable condition was noted:
- i. A statement that the auditor's consideration of internal control over financial reporting would not necessarily disclose all matters in the internal control structure that might be material weaknesses? Yes____ No____ N/A____
- ii. The definition of a material weakness? Yes____ No____ N/A____
- iii. A statement that no matters that the auditor considered to be a material weakness were noted? Yes____ No____ N/A____
- (j) If applicable, a statement that certain matters involving the internal control over financial reporting and its operation were communicated to management in the Auditor's Management Report? Yes____ No____ N/A____
- (k) A statement that the report is intended for the information of the Board, the New Jersey Department of Education, and Federal awarding agencies, but that this restriction is not intended to limit the distribution of the report, which is a matter of public record? Yes____ No____
- (l) The signature of the public accountant who performed the audit? Yes____ No____
- (The audit report must be signed by the individual making the audit or in charge of the audit and not by the firm or corporation, which employs the auditor.)
- (m) The date of the auditor's report? Yes____ No____
23. Does the **Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance** include the following:
- (a) A statement that the entity's compliance with the requirements described in U.S. Office of Management and Budget Circular A-133 Compliance Supplement and the New Jersey *State Grant Compliance Supplement* that are applicable to each of its major programs was audited? Yes____ No____

- (b) A statement that compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the entity's management and that the auditor's responsibility is to express an opinion on compliance based on his or her audit? Yes____ No____
- (c) A statement that the audit was conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, audit requirements prescribed by the Division of Finance, Department of Education, State of New Jersey, and New Jersey OMB Circular Letter 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*? Yes____ No____
- (d) A statement that generally accepted auditing standards, *Government Auditing Standards* issued by the Comptroller General of the United States, OMB Circular A-133 and New Jersey OMB Circular Letter 04-04 require that the auditor plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to in item *a*, above, that could have a direct and material effect on a major program occurred? Yes____ No____
- (e) A statement that an audit includes examining, on a test basis, evidence about the entity's compliance with the requirements referred to in *a*, above, and performing such other procedures as considered necessary in the circumstances? Yes____ No____
- (f) A statement that the auditor believes that his or her audit provides a reasonable basis for an opinion? Yes____ No____
- (g) Reference to the accompanying schedule of findings and questioned costs for instances of noncompliance required to be reported in accordance with OMB Circular A-133 and New Jersey OMB Circular Letter 04-04 including related finding reference numbers? Yes____ No____ N/A____
Where applicable, identification of the type of compliance requirement and the major federal program for which noncompliance was reported? Yes____ No____ N/A____
- (h) An opinion as to whether the entity complied in all material respects, with the requirements referred to in item *a*, above? Yes____ No____
Briefly describe any qualifications:

- (i) A statement that, in planning and performing the audit, the auditor considered the internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and New Jersey OMB Circular Letter 04-04? Yes____ No____
- (j) A statement that the management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state programs? Yes____ No____
- (k) Was a reportable condition noted? (if "Yes" answer (i.)-(iv.), if "No" skip to (l)) Yes____ No____
- i. The definition of a reportable condition? Yes____ No____
- ii. A statement that reportable conditions are described in the accompanying schedule of findings and questioned costs and the related finding reference number? Yes____ No____
- iii. The definition of a material weakness? Yes____ No____
- iv. A statement about whether the auditor believes any of the reportable conditions described in the report are material weaknesses and, if so: Yes____ No____
1. Identifies which one(s)? Yes____ No____
- (l) If no reportable condition was noted:
- i. A statement that the auditor's consideration of internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses? Yes____ No____ N/A____
- ii. The definition of a material weakness? Yes____ No____ N/A____
- iii. A statement that no matters that the auditor considered to be a material weakness were noted? Yes____ No____ N/A____
- (m) A statement that the report is intended for the information of the Board, the New Jersey Department of Education, and Federal awarding agencies? Yes____ No____
- (n) The signature of the public accountant who performed the audit? Yes____ No____
- (The audit report must be signed by the individual making the audit or in charge of the audit and not by the firm or corporation, which employs the auditor.)
- (o) The date of the auditor's report? Yes____ No____
24. Does the **Schedule of Findings and Questioned Costs** include the following four components:
- (a) A summary of the auditor's results which includes:
- i. The type of report issued on the financial statements? Yes____ No____

- | | | | | |
|-------|--|---------|--------|---------|
| ii. | Where applicable, a statement that reportable conditions in internal control were disclosed by the audit of the financial statements and whether any such conditions were material weaknesses? | Yes____ | No____ | N/A____ |
| iii. | A statement as to whether the audit disclosed any noncompliance which is material to the general-purpose financial statements? | Yes____ | No____ | |
| iv. | Where applicable, a statement that reportable conditions in internal control over major programs were disclosed by the audit and whether any such conditions were material weaknesses: | | | |
| | for federal awards? | Yes____ | No____ | N/A____ |
| | for state financial assistance? | Yes____ | No____ | N/A____ |
| v. | The type of report the auditor issued on compliance for major programs: | | | |
| | for federal awards? | Yes____ | No____ | N/A____ |
| | for state financial assistance? | Yes____ | No____ | N/A____ |
| vi. | A statement as to whether the audit disclosed any audit findings which the auditor is required to report: | | | |
| | for federal awards? | Yes____ | No____ | N/A____ |
| | for state financial assistance? | Yes____ | No____ | N/A____ |
| vii. | An identification of major programs: | | | |
| | for federal awards? | Yes____ | No____ | N/A____ |
| | for state financial assistance? | Yes____ | No____ | N/A____ |
| viii. | The dollar threshold used to distinguish between Type A and Type B programs: | | | |
| | for federal awards? | Yes____ | No____ | N/A____ |
| | for state financial assistance? | Yes____ | No____ | N/A____ |
| ix. | A statement as to whether the auditee qualified as a low-risk auditee: | | | |
| | for federal awards? | Yes____ | No____ | N/A____ |
| | for state financial assistance? | Yes____ | No____ | N/A____ |
| (b) | Findings relating to the financial statements which are required to be reported in accordance with GAGAS? | Yes____ | No____ | N/A____ |
| (c) | Findings and questioned costs for Federal awards as per A-133 (Sec.510 (a) and (b))? | Yes____ | No____ | N/A____ |
| (d) | Findings and questioned costs for State financial assistance? | Yes____ | No____ | N/A____ |
25. Does the Summary Schedule of Prior Audit Findings include the following :
- | | | | | |
|-----|---|---------|--------|---------|
| (a) | The reference numbers the auditor assigns to audit findings, including the fiscal year in which the finding initially occurred? | Yes____ | No____ | N/A____ |
| (b) | The status of all audit findings included in the prior audit's schedule of findings and questioned costs relative to Federal awards and State Financial Assistance? | Yes____ | No____ | N/A____ |

- (c) Audit findings reported in the prior audit's summary schedule of prior audit findings as follows:
- i. When fully corrected the summary schedule need only list the findings and state that corrective action was taken. Yes____ No____ N/A____
 - ii. When not corrected or only partially corrected, the summary schedule must describe the planned corrective action as well as any partial corrective action taken. Yes____ No____ N/A____
 - iii. When corrective action is significantly different from corrective action previously reported in a corrective action plan or in the Federal agencies or pass-through entity's management decision, the summary schedule shall provide an explanation. Yes____ No____ N/A____
 - iv. When the auditee believes the audit findings are no longer valid or do not warrant further action, the reasons for this position shall be described in the summary schedule. Yes____ No____ N/A____
26. Has an acceptable Corrective Action Plan been submitted to the department with the Audit Synopsis through the county office of education? Yes____ No____
27. Has a copy of the Federal Data Collection Form as per USOMB Circular A-133 been received by the department if auditee expended over \$500,000 in federal financial assistance? Yes____ No____ N/A____

III. Comments and Recommendations

1. Does the Auditor's Management Report contain comments as outlined in The Audit Program as to the accuracy and completeness of financial reports and claims for advances or reimbursement to federal agencies or their representatives (i.e. Food Service Fund) and Child Nutrition Requirements? Yes____ No____
2. Abbott Districts - Are all irregularities disclosed in the Audit Questionnaire included as comments and recommendations in the Auditor's Management Report? (All negative comments, exceptions, or noncompliance noted in the Audit Report should have a corresponding recommendation) Yes____ No____ N/A____

If answer to question 2 is "No", briefly describe omitted comments and recommendations:

3. Does the Auditor's Management Report provide comments both negative and positive on significant findings and recommendations from the previous audit to determine whether appropriate corrective actions had been taken?

Yes____ No____ N/A____